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Daily Report
Annex

East Asia

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East Asia
ANNEX

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Japan

Pamphlet Stresses Importance of Uruguay Round

OW0410114293 Tokyo NIHON KEIZAI SHIMBUN in Japanese 2 Sep 93 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] The Foreign Ministry has compiled a pamphlet explaining how a successful conclusion of the multilateral trade talks of the GATT (Uruguay Round) is important to Japan as well as the rest of the world; the pamphlet will be made available to the public. The pamphlet stresses the need for supporting the Uruguay Round, saying, a "successful conclusion of the Uruguay Round will serve the interests of Japanese consumers." It is the first time that the Foreign Ministry has compiled this kind of publicity booklet on the Uruguay Round. With the 15 November deadline for the conclusion of the Uruguay Round drawing near, the Foreign Ministry is believed to have compiled the pamphlet out of a sense of urgency about the multilateral trade talks.

The pamphlet is titled "Seven Reasons for the Importance of the Uruguay Round" and the Foreign Ministry has printed 10,000 copies of the pamphlet to distribute to opinion leaders and local autonomous governments. The pamphlet also points out seven advantages from the successful conclusion of the Uruguay Round, including 1) expanding world trade and increasing personal income in Japan; 2) serving the interests of Japanese consumers and making Japan's economy efficient, and 3) preventing protectionism from emerging around the world. The pamphlet also says the successful conclusion of the Uruguay Round is so important that it determines Japan's fate.

With the government deciding to make emergency rice imports, some have begun to voice the need for Japan to open its market. Others take the view that the Foreign Ministry has compiled the pamphlet with the "aim of stressing the importance of the Uruguay Round to pave the way for opening the Japan rice market." However, the pamphlet says "it is not proper for Japan to only pursue economic efficiency in all areas." In this way, it seems that the pamphlet upholds Japan's conventional policy of making the Uruguay Round successful, while keeping the Japan rice market closed.

Account Surplus' Effect on Global Growth Viewed

OW0510114793 Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Oct 93 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] The complete text of a draft report on the issue of Japan's external imbalance to be compiled next week by the Research Committee on the Current Account Structure [RCCAS] was disclosed on 30 September. In its report, the RCCAS, under the aegis of the Economic Council (an advisory organ to the prime minister, headed by Gaishi Hiraiwa), expressed strong concern that Japan's current account surplus could accelerate a reduction of global economic demand. While urging the United States to reduce its budgetary deficit, the report recommends that Japan boost its domestic demand by implementing mobile fiscal and monetary measures so as to offset reduced demand in the United States resulting from budgetary deficit reduction. The report will serve as a basis for discussions to work out remedial measures to help reduce the Japanese surplus, in the "Hiraiwa Report" to be compiled within the year by the Economic Reform Study Council (a private advisory panel to the prime minister, headed by Gaishi Hiraiwa, chairman of the Federation of Economic Organizations of Japan, or Keidanren).

The RCCAS was set up last spring to discuss concrete measures to promote the government's "Five-Year Economic Plan." It is extremely unusual for a government's advisory organ to admit that Japan's surplus is an obstacle to global economic growth and expressly mention the implementation of fiscal and monetary measures as a solution to this problem.

The report points out two problems: Japan's expanding external imbalance and its low import volume. Concerning the first problem, the report dismisses the "unemployment export argument," which claims Japan's huge current account surplus is causing more people to lose their jobs in Europe and the United States. It also rejects the idea that the imbalance would not be a problem at all should the movement of capital be liberalized.

The report then shows in its calculations that should the United States continue to have a budgetary deficit, the nation's foreign debt would progressively accumulate because more funds would flow in from abroad to offset this deficit. It urges the United States to therefore reduce its budgetary deficit steadily. The report further asserts that should the United States continue to reduce its budgetary deficit, the nation's domestic demand would decline likewise, resulting in deflationary effects on the world economy. It stresses that Japan, therefore, needs to "coordinate its policies" to offset such a negative impact on the world economy. As concrete steps, the report recommends that Japan boost its domestic demand through flexible fiscal and monetary measures.

Concerning the future prospects of Japan's current account surplus, the report bases its analysis on the idea that the current account surplus is equivalent to excess Japanese private savings—the difference between Japan's total private savings and its investments. In its predictions, the report asserts that although the rate of private savings in Japan will decline in time with the aging of its population, "it should be reckoned Japan will most likely continue to have a current account surplus" for the time being.

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MITI Launches Trade Expansion Campaign

OW0110190393 Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Oct 93 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] With October designated as a month for expanding imports, the Ministry of International Trade and Industry [MITI] plans to promote a trade expansion campaign and hold trade fairs on imported products via its bureaus nationwide. Over 2,000 events—mostly sales campaigns to pass yen-rise gains on to consumers—are scheduled during October, a much larger scale than in the past two years. There were about 1,500 events held in both 1991 and 1992.

In Tokyo and four other areas in Japan, where increased imports are hoped, the Japan External Trade Organization (JETRO) plans to hold trade fairs where foreign products will be displayed and sold. JETRO also plans to hold seminars at 17 locations where employees of foreign diplomatic missions in Japan will try to advertise their countries' products.

Hideo Yamahana Opposed to TMD Participation

OW0510074593 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Oct 93 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom Database]

[Text] The United States has asked Japan to participate in the Theater Missile Defense (TMD) initiative as part of their effort to counter new missiles being developed by the DPRK (North Korea). Touching on this issue at the House of Representative Budget Committee session held 4 October, Political Reform Minister Hideo Yamahana indicated his negative approach toward Japan-U.S. cooperation in promoting the TMD project, saying that "it should be handled with great caution."

Meanwhile, Prime Minister Morihiro Hosokawa stated: "It is my understanding that no concrete talks have been carried out with the United States. At the present stage, the United States is giving us a working-level briefing on what the project will be. The project may lead to such problems as whether or not the project can be carried out when comparison is made between costs and performance. The prime minister made these remarks in his reply to a question by Ryutaro Hashimoto (of the Liberal Democratic Party).

Ministry on Christopher's Remarks on Trade Talks

OW0210141193 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Sep 93 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] During the recent Japan-U.S. summit talks, the United States urged Japan to make progress in the Japan-U.S. comprehensive economic consultations by the time of the next summit talks. In this connection, a Foreign Ministry source stated on 29 September: "U.S. Secretary of State Warren Christopher (who made the remarks) did not refer to the upcoming Japan-U.S. summit talks, which will be held to coincide with a conference of the Asian-Pacific Economic Cooperation (APEC) in November, but to the summit talks, which are scheduled for early next year as part of the comprehensive economic consultations."

Panel on U.S. Okinawa Base Problems Scheduled

OW0310040493 Tokyo MAINICHI SHIMBUN in Japanese 2 Oct 93 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Text] At a news conference held after a cabinet meeting on 1 October, Kosuke Uehara, director-general of the National Land Agency as well as Hokkaido and Okinawa Development Agencies, touched on U.S. military base problems on Okinawa. In his remarks, the director-general disclosed that a panel will soon be set up to study these problems, and it is expected to be composed of officials from the Okinawa Development Agency [ODA], Foreign Ministry, and Defense Facilities Administration Agency.

Director-General Uehara added: "The base problems are not directly under my jurisdiction. However, (when the future of Okinawa is taken into consideration) we cannot avoid dealing with these problems. Considering that what is important is for the government to listen to the demands of various circles, including prefectural residents, and to show a more sincere stance on the issue than before, I have already consulted (with concerned ministries and agencies)."

According to an ODA source, the study panel is expected to be composed of officials at the bureau-chief level and to hold consultations on such issues as reduction of U.S. military bases.

Commentaries, Reportage on Rice Issues Noted

Vice Ministers Differ on Question

OW0210051093 Tokyo YOMIURI SHIMBUN in Japanese 30 Sep 93 Evening Edition p 2—FOR OFFICIAL USE ONLY

[Text] A meeting of parliamentary vice ministers was held at the prime minister's mansion on the morning of 30 September, and it was one in which views differed on the question of whether or not to open up the rice market. Indeed, it was one which showed how difficult it will be to resolve the rice question, which has loomed as a new task for the Hosokawa administration to solve.

In the meeting, Morio Kimura, a parliamentary vice minister for agriculture, forestry, and fisheries, explained the bad rice crop problem—the worst since the end of the war—and said: "The stock of rice for processing has hit the bottom, and there is no other way but to import supplies. Even where dinner-table rice is

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concerned, it will be difficult to last until next year's crop. It is possible that dinner-table rice will need to be imported as well."

Then Motoo Abe, parliamentary vice minister for education, retorted, saying: "A measure may be necessary, but the rice question should be reviewed from a long-term viewpoint. We should think about balance with other industries." He thus gave the view that the government should take a flexible stand on the question of opening up the rice market.

To that, Kimura responded with his view "the structure of self-sufficiency on rice must be maintained"; and Maki Murasawa, another parliamentary vice minister for agriculture, forestry, and fisheries came to his help against Abe, and insisted: "The liberalization being talked about in the GATT and the emergency measure being talked about here are two different things. It is wrong to put them on the same table of discussion."

Study of Foreign Systems Viewed

OW0510075193 Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Oct 93 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Article by Yoshikazu Kano, president of the National Economic Research Institute; from the "This Is How I Look at the Issue" column]

[Text] Since rice production will drop by 2 million tons due to bad crop conditions, it is obvious to all that rice imports will become necessary. Farmers as well as consumers should take such an approach toward the issue. Viewed from the long-term standpoint, it is quite obvious that domestic rice production will be insufficient to meet demand. Under food control system regulations, the rice production is no longer an attractive line of work; the number of successors to rice farmers has decreased; and rice output is bound to drop.

Japan should now be ready to study the long-term rice import system. Consumers should be left to decide whether they will eat foreign rice. The point at issue is not how much rice we should import but how consumers will respond to rice imports.

I do not want to link current rice imports with the Uruguary Round talks. However, viewed from a long-term standpoint, Japan will probably have to agree to the proposal for tariffication without exception. It will not do merely to see to it that our agriculture develops well. As the current case indicates, it will be of great significance if farmers of the world are granted access to the Japanese market.

Import Expectations Reported

OW0210055793 Tokyo MAINICHI SHIMBUN in Japanese 1 Oct 93 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] The volume of rice to be imported urgently because of the bad domestic crop is expected to surpass 1 million tons eventually, and this means Japan will become the world's largest importer of rice. The total volume of rice traded across national borders amounts to about 13 million tons a year, which is about the total volume consumed in Japan in one year. Expectations that Japan will hasten to buy a large volume of the grain are impacting on the world market; for instance, the price of rice has hit the stop high on the Commodity Exchange in Chicago.

The concern of rice exporting countries is focused on the price Japan will use to make the purchase. If it buys at a price above the international price, it will bring up the international price, and, consequently, will raise the rage of criticism among developing countries which rely on imports to fill their demand.

The Agriculture, Forestry, and Fisheries Ministry (Secretariat Director Hirofumi Ueno) said: "The price at which we buy will be set in negotiations, but the gap in quality will become a basis for making the judgment." The ministry thinks imported rice, which is inferior to domestic rice in quality, should be bought at the international price.

This means the government will buy cheap foreign rice and sell it at a high price on the Japanese market, making substantial income from the difference. This goes against the Hosokawa administration-advocated principle of passing on gains to consumers. Hence, this point is likely to rise as a seed of future troubles.

Meanwhile, if and when rice is imported, the tariff duties on it "will be zero, there being no provisions on it" (according to a senior ministry official).

Imports To Sell at 'Local' Price

OW0510043893 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Oct 93 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom Database]

[Text] Speaking about domestic sales price of process-purpose rice which will be imported this year, Eijiro Hata, minister of agriculture, forestry and fisheries, said on 4 October: "We need to balance it (with the price of locally produced rice)." He thus revealed that the government intends to sell imported rice at the local market price.

The price of imported rice is expected to be far lower than that of locally produced rice. The government does not want purchases of the rice to impact on the price system of the domestic market. Hata made the remark in reply to a question from Kosuke Hori (Liberal Democratic Party) at a session of the House of Representatives' Budget Committee.

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Examination of Data on U.S. Apples Completed

OW0510055893 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Oct 93 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom Database]

[Text] The Japanese Government has banned imports of American apples under the plant protection law. In this connection, the Ministry of Agriculture, Forestry, and Fisheries has confirmed that there were no problems in data on the eradication of "fire blight," which was submitted by the United States in early September. The ministry has already examined two of three samples and it has finished a general examination of the data on exterminating blights. The ministry plans to send inspectors to the United States to start on-the-spot inspections of apples this week. If problems are not reported, it is expected that the ban on imports of American apples will be lifted as early as fall next year after a final inspection has been conducted during the blossom period in the spring of 1994.

PM's Office, Ministry Differ on Bidding System

OW0510041493 Tokyo MAINICHI SHIMBUN in Japanese 4 Oct 93 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] While instances of corruption involving general construction companies are turning out to be so extensive and unfathomable, there are emerging differences of opinion among government offices on how to reform the bidding system. There is only a month left until 1 November, when the ongoing Japanese-U.S. construction talks will end and when the United States thus might begin imposing sanctions on Japan. While this is the current situation, the Prime Minister's [PM] Office, which wants a rapid reform on the system, and the Construction Ministry, which is the main supervisory office of the construction industry, are engaged in a dispute to save face for themselves.

On the afternoon of 27 September, Construction Minister Kozo Igarashi called on Chief Cabinet Secretary Masayoshi Takemura at the prime minister's residence and gently protested to the latter.

The construction minister's protest concerned a remark made by the chief cabinet secretary on the bidding system at a symposium recently held in Tokyo. At the symposium, Takemura said the government "wants to announce a new policy this autumn," thus indicating that the government was thinking about announcing—as early as the middle of this month—a system for awarding contracts for public works projects which will be even more open in nature than the conditional open-bidding system that the Construction Ministry announced it wants to try.

Because the Construction Ministry had made the announcement concerning its plan to formulate within this year a new system of awarding contracts, the construction minister had cause to make this protest. Consequently, the chief cabinet secretary had to apologize to the construction minister, saying: "I am not the minister in charge of the matter. I should not have said it."

But only a few hours later, reports on a new corruption scandal involving a major general construction company surfaced.

In a news conference the following day, Takemura renewed his earlier remark, and added, "We would like to hasten to a conclusion on the new system if possible." Administrative Vice Minister Shigeo Mochizuki and several officials of the Construction Ministry went to see Deputy Chief Cabinet Secretary Nobuo Ishihara to complain about the remarks by the chief cabinet secretary in which he went over the heads of others.

What the Prime Minister's Office is concerned about is the future of the Japanese-U.S. constructions talks, in which the United States has hinted at the possibility of enforcing sanctions against Japan. On top of that, the problem of the trade imbalance between Japan and the United States is straining the relations between the two countries—at a time when a summit meeting of the two countries is set for the middle of November.

Meanwhile, as far as the Construction Ministry is concerned, within it there is the thinking, "This is something that should be done over a year or two. We are not carrying out the reform because of the United States" (according to a senior ministry official). The ministry believes that the construction administration can fall to pieces unless a new system is preceded by full reviews of the problems that might arise from the reform.

But with more and more cases of corruption involving construction companies coming to light, the old stand within the ministry that "The problem is ethics; changing the system will not solve anything" is becoming less persuasive. It is not just foreign pressure but also "domestic pressure" that is starting to work on the Construction Ministry.

Hatakeyama Cautious on Removal of PKF Ban

OW0310040393 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Sep 93 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] In a lecture given on 29 September, Defense Agency Vice Minister Shigeru Hatakeyama stated that freezing of Self-Defense Force [SDF] participation in UN peacekeeping forces (PKF), part of UN peacekeeping operations (PKO): "Should not be lifted easily." In this way, he indicated a negative stance on removal of the freeze. Furthermore, Vice Minister Hatakeyama pointed out: "Since duties such as guarding and rescuing other troops are not included as SDF duties in the PKO Cooperation Law, it is impossible for them to perform

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PKF duties by simply removing the additional regulations (that stipulate freezing of SDF participation in the PKF)."

SDPJ Opposed to Proposal for Revising SDF Law

OW0310090493 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Sep 93 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Text] At its Central Executive Committee session held on the morning of 30 September, the Social Democratic Party of Japan [SDPJ] held consultations on the issue of submitting a draft bill to the Diet for revising the Self-Defense Force [SDF] Law. After the consultations, the SDPJ confirmed its opposition to submission of this government-proposed bill that would allow SDF aircraft to be dispatched to evacuate overseas Japanese in case of an emergency.

At the session, the participants decided to work out as soon as possible the party consensus, which will be based on a precondition that the SDF should never be allowed to have the capability of conducting transoceanic operations.

On 4 October, the ruling coalition groups are scheduled to hold a meeting of representatives from each group to discuss how this draft bill should be handled, and the SDPJ intends to present the party consensus at the meeting and have its submission and deliberations postponed.

At the Central Executive Committee session, participants stated their views that the party should try by all means to prevent the submission of the government-proposed bill. On the other hand, it was also pointed out: "People residing overseas have questioned the SPDJ's opposition to a bill which is intended for rescuing overseas Japanese. Therefore, it is necessary to clarify our reasons for opposing the bill." Proposals have also been made by party members to work out alternative bills. For example, such a dispatch could be limited to the use of special government aircraft.

Defense Head on 'Needed' SDF Law Revision

OW0410083093 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Oct 93 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom Database]

[Text] At a news conference held at the Ground Self-Defense Force's [SDF] Minami-Eniwa post in Eniwa city, Hokkaido, on 3 October, Defense Agency Director General Keisuke Nakanishi stated: "UN peacekeeping operations (PKO) are activities needed for Japan to survive and they are as important as national defense." In this way, the director general again indicated his support for the revision of the SDF Law to upgrade the SDF's participation in the PKO as one of its major duties, to the same level of importance as national defense and disaster relief operations.

Coalition Reacts to Social Democrats SDF Stand

OW0510075793 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Oct 93 Morning Edition—FOR OFFICIAL USE ONLY

[Received via Nikkei Telecom Database]

[Text] Within the coalition member parties, there is now a growing exasperation with the Social Democratic Party of Japan [SDPJ], which wants to show off its "own identity" within the coalition group.

When other coalition parties were unable to introduce in the Diet a bill on revising the Self-Defense Forces [SDF] Law because of the SDPJ's opposition, the SDPJ told other parties that it wanted to send a new man as its representative to the top leaders' conference of the government and ruling parties on the grounds that a new chairman had been elected by the party. Hearing that, other parties poured out criticism on the SDPJ in a party delegates' meeting on 4 October.

While there is the perception that it would not be wise to drive the SDPJ into a corner when there is the need to maintain the coalition and to pass the political reform bills in this Diet session, all the other parties are very unhappy with the feeling that "the cabinet is crippled if it cannot do anything every time the SDPJ objects" (to quote Takashi Yonezawa, general secretary of the Democratic Socialist Party). This kind of feeling is such that the situation can develop into an emotional confrontation.

In the party delegates' meeting, criticism was poured upon the SDPJ over its position on revising the SDF Law, which should enable the SDF to dispatch its aircraft overseas to rescue Japanese.

Komeito General Secretary Yuichi Ichikawa said: "Please make your stance clear. If you are saying you cannot accept it because dispatching SDF aircraft overseas would mean dispatching troops overseas, then such a stance does not conform to the coalition parties' agreement to recognize the SDF's participation in UN peacekeeping operations (PKO) as legal."

SDPJ General Secretary Kubo insisted: "We recognize the law which is already effective, but there is no need to take over something [from the Liberal Democratic Party; LDP] which is not in effect yet."

Yonezawa then retorted: "Within my party, there are people who say we should support a bill on the SDL Law revision which the LDP is presenting to the Diet."

Confronted by attacks from other parties, Kubo promised he would study the matter again, saying: "We are aware this is an important question"; but, in a news conference later on, he emphatically reiterated the party's basic stand, and said: "This is a question that

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concerns the ideals of the party's founding. We cannot agree to present the bill to the Diet at present."

The other coalition parties have so far tried to be flexible in details of the bill, taking the SDPJ's circumstances into consideration, but they are strongly reacting now that the SDPJ brought out the charge that the bill means enabling "dispatching troops overseas." Some senior Shinseito [Japan Renewal Party] members declared: "The SDPJ recognizes the PKO as legal, but does not recognize this. This is self-contradictory indeed. Let them do as they please."

Reaction to the SDPJ surfaced again over the question of changing its representative to the top leaders' conference of the government and ruling parties. Speaking in the party delegates' meeting, Kubo asked: "Our party chairman has changed. Don't you think the new chairman should attend the top leaders' conference?" But delegates of the other parties responded: "This is a question that can be solved if your party decides that (former Chairman) Yamahana joined the cabinet as a representative of the party" or chiding, "It will not make sense if the number of representatives is raised every time the chairman changes." Eventually, Kubo had no choice but to retreat, saying: "We would like to discuss the matter further within our party."

Among the coalition parties, there appears to be a feeling that "if new Chairman Murayama, who personally objects to the proposed election system combining the single-seat constituency system with the proportional representation system, participates in the conference, it will be impossible to work out any agreement." This feeling appears to have an effect as well.

DPRK Discussed With U.S. Defense Officials

OW0310094893 Tokyo MAINICHI SHIMBUN in Japanese 28 Sep 93 Evening Edition p 1—FOR OFFICIAL USE ONLY

[By correspondent Tomonaga Ito]

[Text] Washington, 27 September—On the morning of 27 September, Keisuke Nakanishi, director general of the Defense Agency who is currently visiting the United States, met with U.S. Secretary of Defense Les Aspin and other top Pentagon officials. During the meeting, the U.S. officials took up the issue of alleged nuclear weapons development by the DPRK and stressed that the situation is tense. Currently, the idea of taking a hard-line stance toward the DPRK is prevalent both in the United States and in the ROK. During the meeting with Nakanishi, the United States strongly demanded that the Hosokawa government clarify its policy toward North Korea as well as its stance on international sanctions.

Attending the meeting were Deputy Secretary of Defense Perry; General Colin Powell, chairman of the U.S. Joint Chiefs of Staff; and under secretaries Wysner, Deutscher, and Freeman. Under Secretary Wysner opened the discussion of the DPRK issue. He asked Nakanishi to explain how Japan perceives the current situation and its prospects.

In response, Nakanishi explained Japan's position of observing developments in the negotiations between the United States and the DPRK. However, on the possibility of holding a third round of high-level U.S.-DPRK talks, Wysner indicated a negative view, saying, "It is not certain whether the talks will take place."

After noting that the International Atomic Energy Agency (IAEA) will run short of video film for regular inspections at the end of September, Under Secretary Freeman said, "If there should be no progress in negotiations between North Korea and the IAEA, the issue might be discussed at the United Nations (Security Council)." Wysner then said, "this week is very important." His remark indicates that international sanctions might be imposed on the DPRK.

The United States also stressed the importance of China's role in the DPRK issue. Nakanishi agreed with them. The meeting, however, revealed large gaps between Japan and the United States in their perception of the urgency of the DPRK issue.

No Danger of Nuclear Reactor Fractures Reported

OW0510090693 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Oct 93 Morning Edition p 19—FOR OFFICIAL USE ONLY

[Text] It has been pointed out that there is a danger that drastic cooling may result in the fracture of a pressurized nuclear reactor vessel. However, Mitsubishi Heavy Industries [MHI] has completed a report on its tests on the subject, concluding that no such danger has been noted so far in nuclear reactors in Japan, which, however, have not been in use for much time. It is believed that a nuclear reactor may break down when the vessel wall becomes fragile as the reactor increases in age. And in view of the length of a reactor's life, this problem has become a controversial issue in the United States.

When a nuclear reactor is used for years, its vessel becomes fragile due to exposure to neutrons created through nuclear fission. As far as an old-model pressurized nuclear reactor is concerned, there is a danger that when an emergency core cooling device is put into operation suddenly, the vessel may split because of the sudden change in temperature. So far, no breakdowns caused by brittle fracturing have been reported. However, it has been pointed out that there will be a greater danger of breakdown when the reactor faces certain adverse conditions, such as minor cracking, in addition to obsolescence.

At MHI's Takasago Research Institute (located in Takasago City, Hyogo Prefecture), material for simulation tests has been produced. It has been produced to perfectly simulate three conditions occurring in the actual situation: it is made to endure the same pressure

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on the vessel when it is cooled; to be as fragile as the material of the vessel that has undergone neutron radiation; and to have some cracks. In testing this material, the institute has tried to find out what will happen under various temperatures when the cooling device is put into operation.

The results indicate that even with a nuclear reactor that has been in use for 40 years, the fracturing force caused by thermal shock has never been greater than the resistance of the material. Thus, the institute believes that no fracturing will occur in the nuclear reactors used in Japan that have been in operation for about 20 years now.

The MHI Takasago Research Institute—entrusted by the Association of Generating Equipment Inspection, an auxiliary foundation of the Ministry of International Trade and Industry—has been conducting such tests since 1983.

Hosokawa Cabinet Support Rate Hits Record High

OW0410130193 Tokyo YOMIURI SHIMBUN in Japanese 30 Sep 93 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] The approval rating of Prime Minister Morihiro Hosokawa's administration hit an all-time high of 71.9 percent, according to results of YOMIURI SHIMBUN's nationwide poll conducted 25-26 September. The rating surpassed the previous record of 62.5 percent marked by the administration of Toshiki Kaifu in August 1990.

Over 60 percent of the supporters said they supported the new administration because they felt it "might do something new." This is a reflection of their hope for "change," as well as expectations aroused by the new administration's fresh character.

The disapproval rating was 13.2 percent.

In comparison with initial approval ratings marked by past administrations just after their inauguration, the Hosokawa administration's approval rating is 11.4 percent higher than the past record of 60.5 percent registered by Kakuei Tanaka's administration in October 1972. This is also 16 percent higher than the 55.7 percent marked by Kiichi Miyazawa's administration in November 1991—until recently, the second highest approval rating in Japanese political history.

While 60.7 percent of the supporters said they supported the Hosokawa administration because they felt it "might do something new," 32.4 percent expressed support because it "advocated political reform as its top priority." This was followed by 30 percent who said they supported the new administration because it was "better than past administrations," and 17.5 percent who expressed support because they saw "fresh faces in the cabinet."

On the other hand, 35.2 percent of the respondents to the poll said they did not approve of the Hosokawa administration because it "lacked stability," while 33.5 percent expressed disapproval because they felt it "may fail to bring about political reform."

Meanwhile, the support rate for the Liberal Democratic Party plunged to a record low of 24.7 percent, falling below the 26.5 percent marked in the last days of Noboru Takeshita's administration.

The Japan New Party climbed to second place as its support rating rose to 14.7 percent, surpassing the Social Democratic Party of Japan [SDPJ] for the first time.

Concerning whether the recent change in the SDPJ leadership may have any impact on the Hosokawa administration, a majority of the respondents expected it "would cause no effect." However, 20 percent felt the administration "would become unstable"; while only less than half of this percentage felt the administration "would stabilize," thus indicating "concerns" have been voiced about the SDPJ's influence on the Hosokawa administration.

New SDPJ Head Murayama Interviewed on Plans

OW0410142393 Tokyo ASAHI SHIMBUN in Japanese 29 Sep 93 Morning Edition p 7—FOR OFFICIAL USE ONLY

["Summary" of interview with Tomiichi Murayama, chairman of the Social Democratic Party of Japan, by unidentified ASAHI SHIMBUN reporter; place and date not given]

[Text] The following is a summary of an interview with Tomiichi Murayama, chairman of the Social Democratic Party of Japan [SDPJ].

[ASAHI SHIMBUN] What made you decide to run for the chairmanship of your party?

Murayama: If Wataru Kubo were to run for chairman, Sukio Iwatare also would run. Their contest in the election to choose a chairman would split our party. With me running for chairman, Mr. Iwatare would not run. I think what is important for me at the moment is to work hard to hold our party together.

[ASAHI SHIMBUN] You said you were not going to run for chairman to criticize the former Yamahana leadership.

Murayama: In the past, local chapters of the SDPJ attacked the former Yamahana leadership, saying prospects for the SDPJ are not bright. The SDPJ was in disarray. I intend to hold the SDPJ together after putting it on track.

(ASAHI SHIMBUN) What made you appoint Mr. Kubo as secretary general of the SDPJ?

Murayama: It is true that SDPJ members close to me strongly resisted my intention to name him. I believe that, given the situation of our party at the time, my appointment of him was the best option.

[ASAHI SHIMBUN] Do you and Mr. Kubo differ on policies?

Murayama: The most crucial issue is how to open bright prospects for our party. Will the established political parties be realigned into two conservative parties? Will the SDPJ remain a major party in a multiparty structure? Mr. Kubo and I agree on the point that the SDPJ should not be buried beneath the two conservative parties.

[ASAHI SHIMBUN] It will be hard for your party to keep its independence while maintaining the coalition with other ruling parties.

Murayama: Our party's support for the coalition government is strong. Yet the presence of the SDPJ in the coalition government is growing less important. Some within the SDPJ are criticizing the SDPJ's participation in the coalition government, asking: How far should the SDPJ go in making concessions to other coalition partners? I have no choice but to accept their contradicted expectations for the coalition government as they are.

[ASAHI SHIMBUN] Are you against or for the combined electoral system of single-seat constituency and proportional representation?

Murayama: When we joined the coalition government, our party made concessions on what it had previously advocated on the combined electoral system after concluding that it should respond to public expectations. Our party will accept the combined electoral system. Our party will discard unimportant differences with its coalition partners and seek a consensus with its coalition partners.

[ASAHI SHIMBUN] What is the prospect of a package of political reform bills being passed in the Diet?

Murayama: In principle, the ruling parties will live up to the combined electoral system of single-seat constituency and proportional representation with 250 seats distributed evenly to the single-seat constituency and the proportional representation, and with the two-vote system. I believe the opposition Liberal Democratic Party (LDP) will understand the combined electoral system if it debates with ruling parties. The people are calling for political reform and my view is that the current Diet session will pass the package of political reform bills.

[ASAHI SHIMBUN] What do you think of raising the consumption tax?

Murayama: It is easygoing thinking to raise the consumption tax to make up a shortfall of fiscal revenues incurred from income tax cuts. Our party cannot go along with such easygoing thinking.

[ASAHI SHIMBUN] How are you going to deal with the future realignment of the established parties?

Murayama: The SDPJ should seek to exercise hegemony over the other parties after discarding its conventional practices. Now that the Cold War is behind us and the 1955 structure of the SDPJ, and the LDP has come to an end after playing its historical role, the SDPJ needs to think of rallying liberals who believe in peace, freedom, and justice even if they do not share the SDPJ's past ideology. The SDPJ will change its name if necessary and it will look for an alliance with liberals.

[ASAHI SHIMBUN] What do you mean by liberals?

Murayama: It is hard to draw a distinction between the liberals and others. The distinction can be made on the basis of their views on state and the Constitution.

[ASAHI SHIMBUN] If the LDP is further split, is it possible that the SDPJ will forge an alliance with a splinter group?

Murayama: I think it is possible.

[ASAHI SHIMBUN] Some SDPJ members have struggled against nuclear power plants and military bases. Are they not opposed to the realignment of the established parties?

Murayama: As the times have changed, there are things that the SDPJ can do, and there are things that it cannot do. The SDPJ has its policies. If the SDPJ asserts something before conditions are created so that its assertion is accepted by the people, it can do nothing.

Junior Coalition Group Forms Policy Study Panel

OW0410082693 Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Oct 93 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] At a Tokyo hotel on the evening of 30 September, junior members of the five ruling coalition groups—the Social Democratic Party of Japan [SDPJ], Shinseito [Japan Renewal Party], Komeito, the Sakigake-JNP [Harbinger Party-Japan New Party] parliamentary group, and the Democratic Socialist Party [DSP]—started a panel for studying policies named "Ishizue [Cornerstone] Society".

In forming the society, these Dietmembers intend to exchange views on such issues as the security and tax systems to enhance unity among themselves and also to prepare for the future reorganization of political parties. Among those who have taken the initiative in forming the society are Susumu Yanase of the Sakigake-JPN parliamentary group and Katsuya Okada of Shinseito.

This is the first suprapartisan move that has surfaced within the ruling parties since the coalition administration's inauguration. Of the five ruling coalition groups, 15 of 18 members attended this first meeting.

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Following is the namelist of "Ishizue Society" members: Ikuo Horigome, Minoru Kawashima, and Ryuichi Doi from the SDPJ; Katsuya Okada, Narifumi Matsuzawa, Kajin Iwasa, and Yoshiaki Koga from Shinseito; Yoneo Hirata, Akihiro Ueda, Yoshinori Oguchi, and Shigeki Sato from Komeito; Susumu Yanase, Masaru Tanaka, Eiji Ozawa, and Yoshihiko Noda from the Sakigake-JNP parliamentary group; and Kenji Kitabashi, Shingo Nishimura, and Ryuzo Sakaki from the DSP.

Hosokawa 'in Distress' Over Political Reform

OW0310224293 Tokyo ASAHI SHIMBUN in Japanese 3 Oct 93 Morning Edition p 26—FOR OFFICIAL USE ONLY

[Text] On the evening of 2 October, Kayoko Hosokawa, Prime Minister Morihiro Hosokawa's wife, revealed her husband was in distress over the delayed deliberation on political reform bills. She said he complained: "At the rate things are going now, it may be impossible to bring about political reform." The Japanese first lady made the comment during her lecture at a symposium hosted by the Japan New Party's prefectural chapter at the Mashiki-cho Cultural Hall in Kumamoto Prefecture, Hosokawa's home prefecture. After explaining to her audience that the prime minister has publicly vowed he plans "to bring about political reform within the year and take responsibility in case of failure," she said her husband spilled his words of anguish when the two were alone in the prime minister's official residence on 1 October.

During her lecture, the first lady, after disclosing her husband's remarks, said: "My husband, who seldom grumbles, whimpered a little. I felt this was a very serious matter—particularly, since he was very eager about political reform after he returned from his visit to the United States." She then added: "The prime minister is very eager to bring about reform, but there is not very much time. He is thinking about what is best for our country, so please have faith in him." In saying so, she thus asked her audience for their understanding and cooperation.

JNP Said Affected by Hosokawa Loyalties

OW0510070393 Tokyo YOMIURI SHIMBUN in Japanese 4 Oct 93 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Unattributed article: "Dispute in Japan New Party—Diet Members and Party Secretariat Officials Fight Over Leadership"]

[Text] In the Japan New Party [JNP]—or right behind Prime Minister Morihiro Hosokawa—a dispute is being waged over its leadership. Discontent with the party's Secretariat is growing strongly among Diet members who insist that the "views of Diet members are not taken into account in the party's existing operating system." They demand that the system be reformed into one led by Diet members. A reason for this situation is that its party head, who is also the prime minister, has not been able to participate in party leadership functions and thus has caused the weakening of central power within the party. The prime minister himself is troubled by this problem, and the party will start the work of reforming the party operating system, for instance by revising party rules, even though it is not likely that the dispute will soon be resolved.

Intraparty Dispute

The dispute started with the growing distrust among the party's Diet members toward the party's Secretariat. The Diet members complained that "the Secretariat officials are making decisions on party policy matters," and a confrontation has since continued between Diet members and the "party Secretariat officials close to Hosokawa." The old parties like the Liberal Democratic Party are run primarily by Diet members of the party, but the JNP was inaugurated without any Diet members participating, and there is pride among the Secretariat officials that "It is we—Representative Hosokawa and ourselves—who have made the party what it is today." But the party's Diet members, partly encouraged by the opening of the Diet deliberations, insist that the "operations should be changed in a way so that they are led by the Diet members."

A good example of this occurred in a meeting of senior officials on 29 September.

Speaking during the meeting, Seishu Makino, a member of the House of Representatives, asserted, "The party rules were set when there were no members of the House of Representatives. Now that the situation has changed, something needs to be done about that." Yoji Kanenari, an advisor to the party who is not a Diet member, countered that assertion by saying: "All parties have their own history. The people who do not know the history are not qualified to speak." This sort of confrontation was repeated in a caucus the following day, on 30 September.

Taking Pains To Conciliate the Two Groups

The prime minister himself appears to be taking this state of the party seriously.

It was in the middle of September. A Diet member of his party happened to be in the prime minister's residence to see a secretary. The prime minister, upon seeing him, invited him into this office secretly and treated him to coffee. He told the Diet member, "I have missed you."

Diet members have restrained themselves from meeting with the prime minister since the days when the coalition government was first formed. This is said to be because "the prime minister does not want to be perceived as favoring JNP Diet members" (according to an official close to the prime minister). But it is certain that there is growing discontent over the fact that there is no chance at all of their seeing the prime minister.

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The prime minister showed up unannounced at the Diet members' general meeting of the JNP and Sakigake [Harbinger] on 17 September. It had been some time since he last attended such a meeting of the party. A senior party official explained: "What is important is to enable us (frontline party members) to feel that we are participating in the government. It is probable that the prime minister has come to feel that, too."

As far as the prime minister is concerned, he cannot deny that one of the indirect reasons for the existing discord in the party is the "absence of the party representative." It can be said that he now finds it necessary to show he does care about the party's Diet members through such means as informal talks. Given this intention of the prime minister, the party has decided to start the work of revising its regulations so that a new system can take effect before the regular Diet session next year, while continuing to operate under the existing rules during the current special session of the Diet. It can be a remedy for now, but it is likely that this type of strife will have a subtle impact on the Hosokawa government even in the future.

Preferential Tax System for Distribution Expanded

OW0210031793 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Sep 93 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] The Ministry of International Trade and Industry [MITI] plans to introduce a preferential tax system for the distribution industry, including wholesalers and retailers, on 1 October to facilitate investments in equipment in industry and to reform the distribution industry's low-efficiency structure. Concerning the investment tax credit measures incorporated in the government's economic stimulus package, MITI said, "Reducing distribution costs will benefit consumers."

The new tax system, which is called "a tax system to improve the distribution industry's structure," is for wholesalers, retailers, and restaurants. The new system will give these businesses a 7-percent tax credit or a 30-percent specially recognized depreciation against their equipment acquisition costs. This preferential treatment is effective until the end of September next year.

MITI sets 11 kinds of equipment as items subject to the preferential treatment. They include display racks, showcases, computers, security devices, and mechanical parking lots. Together with five kinds of equipment, including point of sales (POS) devices and freezer-showcases, which have been favorably treated in terms of taxes since fiscal 1987, the number of equipment subject to the preferential tax system totals 16. MITI considers, "When distribution businesses open new shops, most equipment to be installed will be subject to the preferential tax system."

Fiscal Council Head Views Public Works Reform

OW0510133293 Tokyo NIHON KEIZAI SHIMBUN in Japanese 2 Oct 93 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Interview with Eiji Suzuki, chairman of the finance minister's advisory Fiscal System Council, by an unidentified NIHON KEIZAI SHIMBUN reporter; place and date not given; first graph is NIHON KEIZAI SHIMBUN introduction]

[Text] The Fiscal System Council [FSC] has established an internal subcommittee to review budget allocations for public works projects. On this subject, we interviewed FSC Chairman Eiji Suzuki (concurrently adviser to Mitsubishi Chemical Industries Ltd.), and heard about the FSC's stance and his personal opinion on the budget reform.

[NIHON KEIZAI SHIMBUN] In your opinion, what is the reason of fixed allocations of the public works budget?

[Suzuki] It takes several years to change allocations for public works by only 1 percent. Obviously, budget policies have become very rigid in this field. This is because sectionalism-oriented government agencies have extremely strong interests in vested rights in public work projects.

[NIHON KEIZAI SHIMBUN] What will be the FSC's basic policy for reviewing budget allocations?

[Suzuki] I think the biggest problem is the fact that the government has no clear vision in its policies. For instance, when we think about improvement of the infrastructure in farming regions, we must discuss in which regions we must produce staple food and what is desirable relations between cities and farming areas. Public works cannot be reviewed within the existing system. Rather, we must meet public demands from broader viewpoints by drastically reviewing development of social infrastructures as well as national and local subsidies.

In view of the increase of the aged population and the decrease of the younger population, we should secure tax revenue for the future—a review of the tax system will become inevitable to correct the balance between direct and indirect taxes. Taking this into account, we must review the entire system of public works.

[NIHON KEIZAI SHIMBUN] The review of budget allocations is likely to face "support in principle but opposition to specifics." In what fields should the budget be given more?

[Suzuki] The prime minister must have the decision on giving priority to individual projects. The Finance Ministry is supposed to follow the prime minister's decisions.

Some quarters criticize the new government saying almost no changes were observed in ministries' budget requests for fiscal 1994. I think that is tolerable at this time because the government did not have much time since the new administration was inaugurated. On the ground of the budget request, the government is supposed to maximize the budget reform in fiscal 1994, but I want them to completely redesign all public work projects in fiscal 1995.

[NIHON KEIZAI SHIMBUN] Government agencies will probably oppose such a plan....

[Suzuki] Until fiscal 1993, the government had extra funds exclusively for putting some premium to public works projects, and the FSC was for the policy; however, now we believe this must be abolished next fiscal year. We are trying to rearrange all public work projects in one order in the regular budget. Government agencies are supposed to give adequate consideration to public demands.

Survey on Government Stimulus Package Hopes

OW0210051393 Tokyo YOMIURI SHIMBUN in Japanese 1 Oct 93 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] To shore up the stagnant economy, the Hosokawa coalition government launched an emergency economic stimulus package worth 6.2 trillion yen last month. However, 1 out of 2 Japanese do not expect the economy to recover even with this package. Meanwhile, 40 percent urge the government to implement income tax cuts with the issuance of deficit-covering bonds or with an increase in the consumption tax rate to finance the reductions.

These are the results of a nationwide survey conducted by YOMIURI SHIMBUN on 25 and 26 September.

The survey asked respondents if they put their expectations on the government's stimulus package for economic recovery. Forty-four percent said they put "little expectations," and 5 percent said they expect "nothing" from the package. The result is that 49 percent of the pollees do not place their hopes on the package. Meanwhile, the percentage of those who put their expectations were only 35 percent, with 3 percent saying they put "great" expectations and 32 percent saying they put "a little" expectation.

Asked whether the government should issue deficit-covering bonds or if it should increase the consumption tax rate to finance income tax cuts, 23 percent said, "the government should issue deficit-covering bonds," while 18 percent favored "increasing consumption tax rate." In total, 41 percent urged the government to implement income tax reductions with whatever measures to finance the cuts.

Meanwhile, as many as 29 percent said, "income tax cuts are unnecessary for the time being," and 27 percent gave "no answer" to the question.

MOF Study Group Reports on Stock Market Issues

Outline, Explanation of Report

932A0278A Tokyo KINYU ZAISEI JIJO in Japanese 14 Jun 93 pp 20-24—FOR OFFICIAL USE ONLY

[Article by Shigeki Morinobu, MOF Securities Bureau: "Why Is the Stock Market in a Slump?"]

[Text] *Japan's stock market has been in a long slump ever since the so-called bubble economy collapsed and even at present is undergoing a long, painful process of adjustment. What brought on this situation? Explanations are not limited to the economic factors that gave rise to the bubble economy, but also point to the existence of fundamental problems, some structural, surrounding Japan's stock market.*

The Securities Bureau of the Ministry of Finance [MOF], recognizing the importance of analyzing and sorting through these structural problems from as broad a perspective as possible, all the while keeping in mind the relationship between the stock market and Japan's postwar socioeconomic growth and development, in April convened the Commission to Study Basic Problems Concerning the Stock Market. The study group, which has met a total of eight times over a two-month period, recently put together its findings in "The Report of the Commission To Study Basic Problems Concerning the Stock Market."

Rather than specific policy recommendations, the primary aim of the report is to shed light on what concerned parties have commonly recognized as problem areas in the market and then to sort through and analyze those problems. The report gathers together the various opinions of those participating in the study group; it neither aims at a consensus among the participants, nor does it necessarily indicate the opinions of the Ministry of Finance.

The report raises a broad spectrum of questions regarding the stock market. The hope is that the findings presented in this report will be a springboard for lively debates among those involved in the various areas of our economy and will be of assistance in addressing problems in the market for the sake of its sound, healthy development.

Introduction

Japan's stock market has been in a long slump ever since the collapse of the "bubble" economy, and the issue market has virtually stopped working. The commission's report, in seeking the main causes leading to this situation, goes beyond the economic factors leading to the bubble economy; nor does it confine itself to problems in the issue market and secondary market. Instead, it is mainly concerned with basic, structural market problems, especially the structural factors that have given rise in Japan's market to a unique pricing system, and primarily attempts to sort through and analyze problem areas that have been commonly identified by the parties concerned.

I. Function of the Stock Market

The basic function of the market is to allocate funds efficiently through share prices that have been set on the market. In terms of its participants, this means that for corporations, the "demanders" of funds, the market provides the opportunity to raise long-term, risk-bearing funds; for investors, it means the opportunity to invest their assets.

In order for the market to carry out these functions efficiently and smoothly, it is important that stable, reliable pricing occur.

II. Concerning Japan's Market

A. Characteristics of Shareholding Structure

Behind the high-level economic growth achieved in postwar Japan, one finds a particularly Japanese style of management that has given long-term stability to companies. Long-term, stable shareholdings held by corporations is a widespread feature of the market due to cross-shareholdings [*mochiai*], whose purpose is to strengthen business relationships and, through strong, stable shareholders, to build a firm management base.

Because those affiliated with companies as shareholders are more interested in the long-term benefits associated with expanding their business transactions than in dividends, low dividends gradually came to be the accepted norm and, in that sense, the interests of individual shareholders have been ignored.

B. Trends in the Secondary Market

The market mechanism which would have adjusted share prices according to supply and demand stopped working within the shareholding structure that developed—a structure in which the primary shareholders were corporations who would hold on to their shares in a client company even if it was doing poorly. From around the start of the 1970's, the market began to see significant increases in market value issues. But with dividends still continuing to be based on the face value of shares for the most part, dividend yields declined. As a result, the secondary market was structured mainly around short-term, speculative transactions.

C. Influences on Price Formation

Generally, share values can be explained as shares having the discounted value of expected earnings. In fact, however, an accurate estimate of future corporate earnings or the discount rate (interest + risk premium) is very difficult to attain. Moreover, rather than basing their investments on long-term earning projections, investors tend to take into account what other investors are doing, so in this sense their actions resemble what Keynes describes as beauty-contest investment behavior. It is not easy, in other words, to find accurate explanations for price trends or the level at which share prices are set, but in the long run, share values are thought to reflect corporate earnings and various factors in the economy.

Several points were brought out concerning the actual value of shares in Japan: 1) in thinking about future profits, corporate shareowners will consider indirect benefits, such as stronger business relationships, that are based on cross-shareholdings; 2) the expected growth rate of earnings reflects the long-term outcome of Japan's economy and investors generally assume it will be high; and 3) under Japan's main bank system and a company-employee centered corporate system, risk premiums are expected to be low. Another point made in the report is that from the mid-1970's, the price of shares as earning assets has been set at levels which are hard to explain in terms of generally used investment criteria such as the price-earnings ratio (PER) or yield spread (difference between long-term interest and stock yield).

D. Steep Rise in Share Prices During Bubble Period

During the latter half of the 1980's, a combination of the above structural factors and the relaxation of monetary controls following the Plaza Accord [1985] brought sharply rising, inflationary (so-called bubble) prices to the market.

In the adjustment process following the collapse of the bubble economy, the impaired workings of the issue market gave rise to problems on the stock market. Since a large volume of shares was held by financial institutions and business corporations, the economy and financial system were also seriously affected.

E. Problems in Price Formation, Directions for the Market in the Future

Share prices present problems when they are continually set at levels that are hard to understand by commonly used investment criteria. Pointed out were the following: 1) the process by which prices are set is uncertain and easily leads to steep, inflationary increases in share values; 2) difficult inferences are required to select shares as long-term, stable investments; 3) for corporations, stable equity financing becomes difficult and 4) foreign countries lose their confidence in Japan's stock market.

III. Problems Concerning Corporations

A. Efficient Use of Capital

Improving corporate earnings through the efficient use of capital is basic to making stock market investments more attractive. Pointed out in this regard was the importance of making rate of return on equity (ROE) an attribute of corporate management as well as an important criterion for stock investments.

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B. Understanding Capital Cost

In the equity financing that occurred during the bubble period, relatively little thought was given to the cost of capital, and all the funds that were raised were not necessarily used efficiently, thus adding to the inefficiency of Japanese corporate management.

C. Restoring Corporate Earnings to the Investor

There are two important considerations if one is to make stock more attractive to the investor: One is improving corporate earnings and the other is showing the investor a return on his investment. In this regard, it is important, the report points out, for companies with extremely low dividend payout ratios to improve. Dividend policies differ among corporations according to the maturity of the company and its degree of diversification, and it is important that the market take appropriate note of such factors.

D. Problem in Relationship Between Companies and Shareholders

Shareholders, in their own view, have an inadequate perspective on the returns they will get on their investments or on a company's efficiency. Thus, it is important that information disclosure requirements be taken a step further and investment trust companies, which act on behalf of a collective body of "net" investors [those who make net investments], thoroughly screen and check out potential investments.

IV. Problems Concerning Investors

A. A Common Perception Regarding the Investor

One point that had the unanimous support of the study group was the perception that one of the most important factors in getting the market to carry out its essential functions is to make the net investor—the individual who is moved by the profit motive to buy shares and who anticipates a return on his investment in the form of capital gains and dividends—a mainstream participant in the market.

B. Problems Regarding the Individual Investor

The individual investor's share of the total market—both in terms of shareholdings and volume of trade—has consistently shrunk over the years. Individuals [as compared to corporations], however, are the kind of investors who are unconcerned with making "policy investments" and seem to have the essential requirements for supporting efficient price formation based on the market principle. In order to facilitate their participation in the market, it is important, it was pointed out, to create an appropriate environment for individual investors—for example, through a system providing fuller disclosures of information and through dividend policies that take the shareholder's interests into account.

C. Problems Regarding the Corporate Investor

Corporate investors can be divided roughly into one of two categories: "trust fund investors" invest assets that are entrusted to them by other corporations, such as investment trust companies, life insurance companies, and trust companies; "other corporate investors" are those who make investments for themselves. Although "trust fund investors" are supposed to make net investments on behalf of their beneficiaries, there is actually no clear distinction in their behavior between net and policy investments. This was another point that was raised.

Another problem concerns the need to diversify the investment behavior of trust fund investors. In order to do this, it was thought that, for company pension funds, uniform regulations regarding investment ratios are needed. The report also recommends that an independent private agency be established to evaluate investments. In regard to investment trusts, it was pointed out that there was a need to be able to know how well investments performed, a need for fuller disclosure of the contents of products, including their risk properties, and a need to relax product regulations.

It is difficult to assess the relative merits of cross-shareholding by corporate investors, but the following effects on price formation and the market structure were pointed out: 1) With cross-shareholding, it is easier for distortions to arise in the process of setting share prices than when the market is made up primarily of net investors. 2) Cross-shareholdings, though they give directors stronger control, are associated with lower dividend yields, which are turning individual investors away and leaving a structure made up predominantly of corporations.

In order to reduce the adverse effects that cross-shareholdings have on supply and demand, the report indicates the need to look into the feasibility of relaxing restrictions on companies' acquiring or buying back their own shares.

V. Problems Concerning Intermediaries

A. Nature of the Problem

It can hardly be said that securities companies have been adequately aware of the importance of their social responsibilities as intermediaries or brokers or that existing regulations have been sufficient to insure that they carry out their responsibilities. The report points out the importance of having those in the securities business develop the values which will enable them to properly shoulder the responsibilities of their trade.

B. Problems in Relationship Between Intermediaries and Issuing Companies

Securities companies have attached a great deal of importance on establishing strong, stable relationships with issuing companies, and there has been an unreasonable amount of competition in the past over the chance to become lead underwriter. Recognizing this problem,

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the report points to the necessity of deregulating commissions and further liberalizing the field for new participants and also the necessity of looking into possible ways to improve underwriting in the future.

C. Relationship Between Intermediaries and Individual Investors

In their relationship to the individual investor, securities firms not only serve as intermediaries, but also have the important role of advising the investor and providing him with accurate information about the financial status of companies. The report also indicates the importance of ensuring the independence of securities analysts.

D. The Securities Business in the Future

Also mentioned in the report are the importance of somehow introducing "constructive tension" into the management of securities firms; of deregulating services to diversify the securities business; and of having firms able to respond to the diverse needs of the investor. At the same time, the report suggest the importance of quickly tackling problems in the securities field, creating a system that can effectively prevent further scandals, and of building stronger "Chinese walls" [effective barriers like the Great Wall of China] between departments where mutual access to the same information might lead to conflicts of interest.

VI. Problems in Regard to Regulatory Agencies

A. Future Course of Securities Administration

Although the Securities and Exchange Surveillance Commission, the watchdog agency to monitor the securities industry was recently established, the report points to the continuing need to create an equitable, transparent and dynamic market through the implementation of the Securities and Exchange Act and also the need for government to continue the shift from overseeing trade businesses in the securities industry to so-called market administration.

B. Regulations Surrounding the Market

There was common agreement as to the desirability of a tax system that is neutral with regard the flow of funds and a tax system that is internationally compatible.

For an auditing system that will more accurately portray the actual financial situation of corporations, the report indicated that the current auditing system should be reexamined and that one consideration, which should be taken into account, is its compatibility with international auditing systems.

Another problem area, which the report mentions, concerns the Commercial Law. According to the report, shareholder benefits have tended to be ignored. An example of this tendency to strip away their benefits is seen in general shareholders meetings, which have been emptied of meaning.

Conclusion

In the study group, those involved in various aspects of the stock market were aware of problems in their respective fields and arrived at a common perception as to the steps that are needed to return the stock market to normalcy and have it properly carry out its functions. The following is a summary of their conclusions:

1. The stock market should be designated an important "national treasure."
2. Cross-shareholding has made steady headway into Japan's postwar stock market, and there has been a noticeable increase in the percent of all shares on the market now held by corporations. That share for the individual investor, however, has steadily decreased. There has also been a trend toward greater speculation on the market, and share prices are seemly set at levels that are hard to explain by commonly used investment criteria.
3. This sort of situation encourages high, inflationary price levels and calls for difficult judgements on the part of investors regarding stable stock investments. If it continues, this sort of situation will lead to difficulties in obtaining equity financing.
4. In order for the market to function smoothly and efficiently, it is important that prices are set through a process that is stable and highly reliable and under market conditions that are equitable and have a high degree of transparency. Individuals must understand this process better, and efforts must be made toward this end. Specifically, the report notes the importance of the following:
   a. Corporations must work toward improving their earnings through greater management efficiency.
   b. Efforts must be made to create an environment that facilitates the participation of individual investors, trust fund investors must be encouraged to be aware of and carry out their responsibilities as fiduciaries or trustees, and a system must be created whereby investment behavior and performance can be objectively evaluated.
   c. Intermediaries must acknowledge anew their societal responsibilities and the significance of their role with regard to the securities industry, they must show adequate regard for the benefits of the individual investor, and they must conduct their business in such a way as to take into account conditions on the market.
   d. Regulatory agencies must further promote the shift from trade administration to market administration and, at the same time, comprehensive reform of the tax system, auditing system, and other areas involved with the market should be carried out as needed.

Text of Report

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[Report by MOF Study Group on Stock Market Issues]

FOREIGN
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Daily Report

East Asia

FBIS-EAS-93-191
Tuesday
5 October 1993

XVI

Daily Report
East Asia

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ASEAN Issues Declaration on Human Rights

BK2809043293 Kuala Lumpur NEW SUNDAY TIMES in English 26 Sep 93 p 4

[Text] Kuala Lumpur, Sat.—Lawmakers of the six ASEAN countries have declared that the human rights issue should not be used as a condition for economic cooperation and development assistance. The joint stance was contained in the Kuala Lumpur Declaration on Human Rights adopted by the lawmakers at the ASEAN Interparliamentary Organisation (AIPO) General Assembly which ended here yesterday.

The 22-article declaration was among 26 resolutions passed at the 14th general assembly and released by the AIPO Secretariat in a joint communique here today.

Among other things, the declaration says that:

—All human beings, individually and collectively, have a responsibility to participate in their total development, taking into account the need for full respect of their human rights as well as their duties to the community;

—All human beings without distinction as to race, colour, sex, language, religion, nationality, ethnic origin, family or social status, or personal convictions, have the right to live in dignity and to enjoy the fruits of development and should, on their part, contribute to and participate in it.

—Each member state has the right to development based on its own objectives to set its own priorities and to decide the ways and means of realising its development without external interference and universal promotion and protection of human rights should take place in the context of international cooperation based on respect for national sovereignty, territorial integrity, and non-interference in the international affairs of states and human rights should not be used as a conditionality for economic cooperation and development assistance.

On fundamental human rights, the declaration says that everyone has the right to life and no one shall be deprived of such right except in accordance with the law. It also says that everyone has the right to freedom of thought, opinton, conscience, and religion and the right to property, liberty, and security of person.

It is also the right and duty of each member state to formulate appropriate and sustainable national development policies that aim at the constant improvement of the well-being for all its citizens on the basis of active, free, and meaningful participation in development.

The communique says the ASEAN member countries believe strongly that the United Nations should be reformed and restructured for the maintenance of international peace and security, achieving international cooperation in the economic, social, cultural, and humanitarian fields as well as the encouragement of respect for human rights.

They also expressed concern over the tendency of some states to dominate the Security Council which could become an institution for the imposition of the will of the strong upon the weak and reaffirmed that all nations and states, large or small, strong or weak, rich or poor, have the rights to full independence and sovereign equality in international relations.

Among other resolutions passed during the five-day plenary session were those on the Straits of Malacca, Cambodia, Indochinese asylum seekers, Myanmar [Burma], and environment.

ASEAN Officials Discuss Regional Free Trade

BK0510021993 Bangkok THE NATION in English 5 Oct 93 p B1

[Text] Senior Asean officials yesterday acknowledged a need to re-interpret the aggregate content of products entitled to tariff cuts to further push forward the regional free trade area or Afta. They adopted a study of the Asean Secretariat, which has come up with three formulas to calculate the aggregate content or rules of origin, which is presently vague at best, of the Asean products which will qualify for the tariff cuts.

The Asean Secretariat, which is seeking to bolster its role as a vital proposed mechanism of the six nation Association of South East Asian Nations, proposed that the most convenient way to calculate the rules of origin is to allow any products originated from any Asean country with a net 40 per cent local content to immediately qualify for the tariff cuts no matter how many times the products are modified.

Thai officials are in favour of this reinterpretation because it is the simplest way to determine the rules of origin which has remained a contentious issue since the launch of Afta in Jan 1. Under Afta, Asean goods will enjoy lower tariffs, hence intensifying regional economic cooperation.

"If we do not re-interpret the rules of origin, it will make it almost impractical to implement Afta," said Phatchara Itsarasena, the Thai permanent secretary for commerce and head of the Thai, senior officials.

Asked whether the re-interpretation of the rules of origin will benefit Singapore, which is actively involved in re-exports, Phatchara said, "If we are too concemed about who will lose or who will gain, Afta will never move ahead."

The Asean Secretariat, as a second option, proposed that to qualify for tariff cuts, an Asean product should be subjected to redefinition every time it leaves a member Asean country, with a net result that it has at least 40 per cent in local value-added input.

In the final option, the Asean Secretariat recommended that the regional association may follow the rules of origin, as adopted by the General Agreement on Tariffs and Trade (Gatt) by determining "substantial transformation" of the Asean products through the reclassifying of the customers codes digit. For instance, if a product, following its modifications, is reclassified from the six-digit customs system to eight or nine-digit, this represents a substantial transformation.

However, economic ministers of the regional association will take up this rules of origin for final decision when they meet tomorrow in the session of the Afta Council, a body set up to monitor the progress or the regional free trade area.

The senior Asean officials yesterday spent their time all day long to prepare details of the package, so that the economic mlnisters can agree upon during the 25th Asean Economic Ministers meeting between Oct 6-9. Most of the discussions centred on technical issues that have so far stalled the progress of Afta, which sets its ambitious goal to bring down tariff barriers of Asean goods to 0-5 per cent within the year 2008.

Kroekkrai Chiraphaet, the new director-general of the Department of Business Economics, admitted that Afta has yet to produce substantial tariff reductions among the member countries because they still differ on some technical grounds. He gave an example that Thailand has submitted its list of tariff reductions under the six-digit customs code system, while other member countries eight to nine digit customs code system. This has made it incomparable to determine the extent to which actual tariff cuts have been made because the lower digit code represents a larger number of products items.

Kroekkrai added, however, that each Asean member country must still start bringing down their tariff rates under the two simultaneous scheme, fast track and normal track. Under fast track of tariff cuts, Asean countries must cut the tariffs of manufactured goods to 0-5 per cent over a period of five to eight years under the fast track and 0-5 per cent over 15 years for the norrnal track, beginning in 1993.

Yesterday, all the member Asean countries exchanged their lists of products earmarked for tariff cuts, which if put together carry a distance of about 15 kilometres. They also discussed the exclusion lists, products set aside for temporary tariff protection and the time frame within which each member country will actually bring down their tariffs.

The senior Asean officials agreed to adopt a recommendation of a working group arrived at Sabu, Philippines, last month which suggested that Asean start bringing down tariffs visibly by January 1994. This implies that Asean itself has missed the deadline of traffic cuts by one year.

Brunei, which faces its own legal problems, promised yesterday that it would be able to start cutting tariffs by June 1994, against its original request to do so by January 1995.

As for Thailand, it has already brought down tariffs of more than 30 per cent to 3-0 per cent at least since February 1993, to meet its unilateral obligations committed by former prime minister Anan Panyarachun. Thai officials assured that Thailand will, also try to cut tariff further between now and 1994 to 20 per cent for some products between now and 1994.

Kowit Posayanon, special adviser to the Finance Ministry, said the unilateral tariff cuts introduced in February 1993 will result in the loss of tax revenue by about Bt [Baht] 200-Bt300 million a year.

Japan

Yeltsin Reportedly To Visit Tokyo as Planned

OW0510093293 Tokyo KYODO in English 0922 GMT 5 Oct 93

[Text] Moscow, Oct. 5 KYODO—Russian President Boris Yeltsin will visit Japan from October 11 to 13 as scheduled, the Presidential Office said Tuesday [5 October]. The president's press service said Yeltsin will proceed with his planned trip.

A presidential aide, speaking on condition of anonymity, said an advance mission will leave Moscow on Wednesday for Tokyo to make final preparations for Yeltsin's official visit to Japan.

In Tokyo, the Japanese Foreign Ministry said the Japanese Embassy in Moscow received a copy of the press service's announcement on Yeltsin's visit to Tokyo.

Russian Foreign Ministry sources in Moscow said earlier in the day that Yeltsin may be forced to postpone his Japan trip due to the delicate domestic situation. Yeltsin, who has prevailed over his opponents in Moscow after military confrontations, previously twice canceled visits to Tokyo, in September 1992 and in May this year.

During his stay in Tokyo, Yeltsin is scheduled to hold talks with Prime Minister Morihiro Hosokawa on bilateral issues, including the territorial dispute over four Russian-held islands off Japan's northernmost main island of Hokkaido. Japan has long demanded the return of the islands, which were seized by Soviet troops at the end of World War II.

A government source said an advance team from Moscow is due to arrive in Tokyo on Thursday [7 October] to make final preparations for Yeltsin's trip.

"We will be able to determine whether or not the president's trip to Japan will materialize, depending on the arrival of the advance team as scheduled," the source said.

The source, speaking on condition of anonymity, said the Russian Government notified Japan on Monday that there will be no change in the advance party's itinerary.

Hosokawa on Asking Yeltsin for WWII Apology

OW0510055793 Tokyo KYODO in English 0515 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—Prime Minister Morihiro Hosokawa on Tuesday hinted at asking an apology from Russian President Boris Yeltsin over Moscow's treatment of an estimated 600,000 Japanese prisoners taken to Siberia after World War II.

The prime minister, speaking at a Diet committee session, said he is naturally cognizant of the desire in Japan for a formal Russian apology for the actions of the former Soviet Union in forcing the Japanese to do years of hard labor in Siberia. "Considering the other party's situation, it would not do to have a shadow cast over diplomatic negotiations," he said.

Hosokawa made the remark in reply to two parliamentarians from the opposition Liberal Democratic Party (LDP), in a meeting of the budget committee of the House of Representatives.

Fukaya Takashi and Eto Takami both urged Hosokawa to demand that the apology be made during Yeltsin's scheduled visit to Japan on October 11 to 13. But the visit may be postponed in the wake of an armed battle in Moscow, Russian Foreign Ministry sources said in Moscow on Tuesday.

Leading Officials Urge Continuing Russian Reform

Takemura Holds News Conference

OW0510015293 Tokyo KYODO in English 0136 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—Japan strongly hopes that Russian President Boris Yeltsin will push forward with his reform efforts now that the armed uprising in Moscow has been virtually suppressed, the top government spokesman said Tuesday [5 October].

"The Japanese Government strongly hopes Russia will overcome the latest tragedy as soon as possible and a democratic parliament that truly reflects the will of the Russian people will be created after President Yeltsin's power base to promote reform is further solidified," Chief Cabinet Secretary Masayoshi Takemura said at a news conference. He said Japan views the military conflict between pro- and anti-Yeltsin forces in Moscow as a result of acts of provocation by (sacked Vice President Aleksandr) Rutskoy and (Parliament Chairman Ruslan) Khasbulatov.

It is extremely regrettable that bloodshed occurred in Moscow with many people from both sides being killed or injured, he added.

Takemura also said Tokyo wants to see the Russian situation normalised and hopes Yeltsin's planned visit to Japan will take place.

Yeltsin, who has twice canceled planned visits to Japan during the past year, once abruptly in September last year and then again in May this year, is scheduled to come for three days from next Monday. He initially cited domestic problems as the reason for calling off the September trip last year, but later blamed Japan for its uncompromising attitude over a decades-old bilateral territorial dispute.

The row, concerning four Russian-occupied islands off northern Japan, has prevented Tokyo from signing a bilateral peace treaty with Moscow and led to its withholding of full-scale financial assistance to the economically strapped country.

Yeltsin visited Tokyo in July, exclusively to meet leaders of the Group of Seven major industrialized nations after their annual summit talks.

Although Tokyo has received notification from Moscow that there is no change in Yeltsin's plan to visit Japan as scheduled, the Russian president's personal position on the issue is still unclear, the chief cabinet secretary noted.

Asked why Japan backed Yeltsin in the standoff with his opponents, Takemura said Yeltsin had garnered broad support from the Russian people in the April referendum called to gain approval for his leadership. Takemura added that Tokyo highly rates Yeltsin's efforts to turn Russia into a market-oriented and democratic country.

Finance Minister Fujii Comments

OW0510014393 Tokyo KYODO in English 0126 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—Finance Minister Hirohisa Fujii on Tuesday [5 October] ruled out any immediate revision of Japan's assistance to Russia.

"There's been no change in Japan's support for Russia's reforms," Fujii said at a press conference following a morning cabinet meeting. "But this does not take into account the current situation," he continued, referring to the use of military force by Russian President Boris Yeltsin to force the surrender of hard-liners occupying the parliament building.

"We have to listen to public opinion, including that of the international community."

Fujii said the cabinet ministers had not discussed Yeltsin's scheduled visit to Japan next week, adding that he does not know if the current turmoil will lead to a postponement of his trip, which has already been postponed twice.

Kumagai: Tokyo To 'Wait and See'

OW0510013793 Tokyo KYODO in English 0116 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—Japan's International Trade and Industry Minister Hiroshi Kumagai on Tuesday advised prudence on the question of fresh assistance to Russia.

"Now is the time to wait and see. We want to see how the situation will develop under President Boris Yeltsin's government," Kumagai told a press conference after the day's cabinet meeting.

On the already pledged aid, Kumagai said, "we industrial nations need to patiently support (the reform process there) while respecting such key principles as democracy and liberalization."

'Strong Possibility' China Conducted Nuclear Test

OW0510111193 Tokyo KYODO in English 1048 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—A Foreign Ministry source said Tuesday [5 October] there is a "strong possibility" that China conducted an underground nuclear test earlier in the day. The source said that if it was a bomb it appeared smaller in scale than one exploded on September 25, 1992, which was over 1 megaton.

Meanwhile, the Meteorological Agency said it has received information from its U.S. counterpart that minor tremors were registered in China, which might have been caused by a nuclear test. The information said a shallow earthquake was registered as occurring in the Xinjiang Uygur Autonomous Region in northwest China, where China has previously conducted its tests.

Reports from London quoted the independent Verification Technology Information Center as saying seismic monitors indicated that China conducted an underground nuclear test explosion at 0200 GMT Tuesday, causing earthquake-like shock waves.

Foreign Ministry spokesman Terusuke Terada issued a statement saying China's apparent detonation of a nuclear device is "extremely regrettable" since it hinders efforts to achieve a comprehensive nuclear test ban. Terada said Japan will continue to "strongly urge" China not to carry out such tests.

On September 28, Foreign Minister Tsutomu Hata met with his Chinese counterpart Qian Qichen in New York and expressed Japan's concern over suspected Chinese plans to resume nuclear testing. Qian replied then that China has all along shown restraint on nuclear testing, citing the fact that it has carried out the least number of tests among the self-acknowledged nuclear powers.

U.S. intelligence reports last month indicated that China had inserted a nuclear device into a hole at its Lop Nor test site in Xinjiang, some 2,300 kilometers west of Beijing. The reports said the site had been sealed with concrete and predicted China would detonate the device in the first week of October.

No country is known to have tested a nuclear device since China's previous 1992 test, which took place two days after the most recent U.S. nuclear test under the Nevada desert. The apparent Chinese test has raised concern that the United States, Russia, and other nations might break their self-imposed nuclear test bans.

U.S. President Bill Clinton last July extended a U.S. moratorium on nuclear testing for 15 months, but said that might not hold if another nation resumed tests.

There has been considerable speculation that China planned to delay its test until after a decision was made on which city would host the Olympics in 2000. Sydney won that competition on September 23.

Tokyo To Supply Fuel to Disputed Russian Island

OW0210104193 Tokyo KYODO in English 1002 GMT 2 Oct 93

[Text] Tokyo, Oct. 2 KYODO—Japan will provide diesel fuel for an electric power plant on Etorofu Island, one of the four Russian-held islands claimed by Japan, that is facing a serious lack of fuel, the Foreign Ministry said Saturday.

The government has begun preparations to provide the unspecified amount of fuel through an international support committee, using part of the 100 million dollars in emergency humanitarian aid pledged by Tokyo, the ministry said. The support committee was set up in January under an agreement between Japan and 12 former Soviet republics, it said.

Etorofu, along with Kunashiri, Shikotan and the Habomai group of islets, were seized by the former Soviet Union at the end of World War II and are at the heart of a territorial row between Japan and Russia.

The islands are expected to be the major focus of bilateral talks when Russian President Boris Yeltsin visits Japan from October 11 to 13.

Japan provided 1,000 tons of diesel fuel in June for electricity generation on Kunashiri and Shikotan islands. Tokyo has so far extended an estimated 156 million yen worth of food and diesel fuel to Etorofu, Kunashiri and Shikotan islands as part of its emergency humanitarian aid package, the ministry said.

Clinton Letter on Employment Summit Disclosed

OW0510024693 Tokyo KYODO in English 0233 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—U.S. President Bill Clinton has suggested to hold the proposed ministerial "summit" meeting on employment in November, Labor Minister Chikara Sakaguchi said Tuesday [5 October]. Sakaguchi, speaking at a press conference after the day's cabinet meeting, said Clinton had made the proposal in a letter to Prime Minister Morihiro Hosokawa.

Clinton called for a meeting of ministers with responsibility for employment from major industrial countries some time in November, at an undecided site near Washington, Sakaguchi said. The confab on employment, dubbed an "employment summit," is being sought so that the ministers can meet to exchange opinions on structural problems related to employment from both macro and micro viewpoints, according to Sakaguchi.

The meeting's agenda and the participating countries are now being decided upon. Sakaguchi added that Japan's Finance, International Trade and Industry, and Labor Ministries, together with the Economic Planning Agency, are discussing the Clinton proposal.

Agriculture Minister Interviewed on Rice Import

OW0410082493 Tokyo FNN Television Network in Japanese 2357 GMT 2 Oct 93

[Interview with Eijiro Hata, minister of agriculture, forestry, and fisheries, at Haneda Airport, by Yuji Kuroiwa and Kaori Matsuyama, FNN newscasters, at the FNN studios, through a satellite hookup; from the "News 2001" program—live]

[Excerpts] [passage omitted on a report on the government's decision on the emergency importation of rice]

[Matsuyama] The report says an increase in the rice price is unavoidable. Do you think we will not be able to eat rice as a staple food in the future?

[Hata] No, I do not think a price increase is unavoidable. As the report says, the government has decided to import 200,000 tons of rice for processing by the end of this year as an emergency measure. We do not have to worry about the possibility that we will be short of the rice we eat everyday. The government will enhance its system to monitor rice distribution so that an increase in rice prices can be avoided. Since ensuring a stable supply of rice is the government's chief responsibility, we want to keep a stable supply of rice.

[Kuroiwa] The government's recent decision on the emergency importation is to import 200,000 tons of rice for processing purposes. Am I correct?

[Hata] Yes, of course, import includes rice for use in processed food such as rice crackers [senbei] and soybean paste [miso]. The government's decision is to import that type of rice.

[Kuroiwa] To ease farmers' and consumers' unnecessary concern, I want to ask if the importation of 200,000 tons of rice is enough to cover a shortage of rice for processing. I also want to ask if the government should come to decide on the import of staple-food rice, when such a decision will be made and how much rice will be imported?

[Hata] I think this is the focus of the people's attention. If the government eases its policy of reducing rice-growing areas, rice-growing acreage will increase. However, nobody can predict weather conditions or next year's harvest. With this in mind, the government has to further study the possible measures. At present, I cannot comment on the volume of future rice imports. Personally, I feel like turning to God for help and I hope that rice-growers will enjoy a large rice crop next year. Therefore, the government will make further efforts to maintain a stable supply of rice.

[Kuroiwa] Do you mean that the government has not yet made a decision on importing staple-food rice?

[Hata] Yes, certainly. In view of the fact that this year's rice yield index dropped to 80 against 100 for average crops, the rice growers would also face difficulty in growing rice next year. However, things are still fluid, and the government is considering improving conditions, including an increase in the rice-growing area so that farmers who have a strong will to grow rice will be able to do so more eagerly than before.

[Kuroiwa] As the report says, there is a possibility that emergency rice imports would lead to the liberalization of the rice market, but the government says emergency imports is irrelevant to market liberalization. I feel that in view of the future development of the Uruguay Round of multilateral trade talks which expires in December, the United States and other nations will increase their call for rice market liberalization. As a member of the coalition government, which aims to strengthen its cooperative relations with the United States, how are you going to deal with this issue?

[Hata] The report says emergency imports will serve as the first step toward market liberalization. However, it is completely wrong to take the government's decision that way. As for the Uruguay Round of talks, there is a view that the Uruguay Round would end in failure if the government fails to liberalize its rice market. This view is also a serious misunderstanding. As you know, we have to solve other difficult issues in 15 areas, the agricultural area in particular—each nation has its own problems. France, for example, faces various issues. In the final stage of the talks, I think we should not have simplistic thinking. For example, we should not feel that all issues have to be solved without any failure. We should have a stand of continuing the talks to solve difficult issues. By doing so, I think, we would be able to come to an agreement in some areas. Some might regard the talks as a failure if we cannot solve issues within the specified time limit. But this is an extremely wrong way of thinking based on misunderstanding. As you know, Japan has a policy of self-sufficiency. When Japan's culture, tradition, and history centering around rice are considered, it has been natural to work out a self-sufficiency policy by the people's consent. Particularly, there have emerged issues concerning preservation of the environment and conservation of national land recently. And what I really do want the people to understand is that the world population increases by 100 million people every year. Because the population issue directly leads to a food problem, I think we should avoid a scramble for food that may provide ammunition to international strife. In view of this, I think time is becoming ripe for international organs such as the United Nations to play a central role in encouraging each nation to establish its own system of self-sufficiency at least for its staple food. [passage omitted on Hata's remarks reiterating the need for ensuring the system of a stable supply while keeping the current policy of controlling rice-growing areas]

Ministry Sets Rice Import Quota of 200,000 Tons

OW0510065293 Tokyo KYODO in English 0607 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—The Ministry of International Trade and Industry (MITI) on Tuesday allowed an import quota for 200,000 tons of rice to 20 importers. It is the first quota for imports that may amount to over one million tons of rice needed to make up for the poor harvest resulting from bad weather this summer, ministry officials said.

The imports will be permitted as an emergency measure from October 7 through March 28 next year, they said.

Meanwhile, the food agency, which licenses importers, unveiled its plan to sell Taiwanese rice to processed food makers from December 1.

The National Federation of Agricultural Cooperative Associations has said it plans monthly sales of 33,000 to 35,000 tons of rice, either domestic or foreign, at a price of 155,800 yen per ton to makers of processed food.

Beef Imports Slow as Inventories Increase

OW0110135493 Tokyo KYODO in English 1324 GMT 1 Oct 93

[Text] Tokyo, Oct. 1 KYODO—Japan's beef imports grew less impressively in August than in previous months as trading houses turned hesitant to add to their already fat stockpiles, the Ministry of Agriculture, Forestry, and Fisheries said Friday [1 October].

August beef imports totaled 43,800 tons, up 19.1 percent over a year earlier, according to a Finance Ministry trade report.

The growth looks pale compared with about 30 percent increases constantly posted in the previous months and apparently stemming partly from a Farm Ministry request for traders to curb purchases of foreign beef. But a ministry official dismissed the governmental intervention, attributing the slower growth to "voluntary restraint" exercised by traders in consideration of high level beef inventories, estimated at 80,000 tons.

The ministry expects imports will be sluggish in the coming months due to the beef in warehouses, but still, the country's beef imports seem sure to top 500,000 tons in 1993, analysts said. Since the tariffs were cut to 50 percent in April for the third year of the beef market liberalization, imports amounted to 253,500 tons, up a sharp 26.4 percent from the year-ago levels.

As imports have slowed, the prices for domestically produced beef have rebounded, reversing their downward trend. A calf for meat was priced at 346,000 yen in August, up from an average 313,000 yen in July, while that for milk cost 95,000 yen, against June's 87,000 yen.

Venezuelan Minister on Security Council Seat Bid

OW0410172393 Tokyo KYODO in English 1438 GMT 4 Oct 93

[Text] Tokyo, Oct. 4 KYODO—Venezuelan Foreign Minister Fernando Ochoa Antich on Monday [4 October] voiced support for Japan's bid to become a permanent member of the United Nations Security

Council, Foreign Ministry officials said. Ochoa, who arrived in Japan on Sunday for a five-day visit, expressed his support at a 90-minute working dinner with his Japanese counterpart Tsutomu Hata, the officials said.

Ochoa told Hata that reform of the U.N., especially of the Security Council, is important and that Japan has an important role to play in it, they said. He was quoted as saying Venezuela and Japan have the same ideas about U.N. reform, particularly about permanent membership of the Security Council and democratization of the world body.

The Venezuelan foreign minister said he thinks permanent membership should be decided by taking into consideration respective countries' allotment in U.N. peacekeeping activities and their contributions to peace in the world.

Hata told Ochoa that the role of the U.N. and its Security Council is becoming increasingly demanding in coping with racial and religious problems and civil wars, and said reform of the world body is important to sensitively tackle such issues, the officials said. Hata pointed to forms of security other than force, citing as an example the U.N. Transitional Authority in Cambodia (UNTAC), which successfully used radio to draw over 90 percent of voters to cast their ballots in the general election last May, they said.

African Leaders Ask Hosokawa for Closer Ties

OW0410140693 Tokyo KYODO in English 1337 GMT 4 Oct 93

[Text] Tokyo, Oct. 4 KYODO—Visiting leaders of African nations Monday [4 October] called for closer ties between Japan and Africa, saying the lack of direct flights between them symbolizes their current relationship, Foreign Ministry officials said.

The leaders, in Japan to attend the Tokyo International Conference on African Development opening Tuesday, made the call in a 20-minute meeting with Prime Minister Morihiro Hosokawa, the officials said. Benin President Nicephore Soglo and Botswana President Ketumile Masire told Hosokawa they want the Japanese people to know more about Africa.

Hosokawa was quoted as saying he hopes the two-day conference will serve as an opportunity to promote ties.

Other leaders attending the meeting were Ugandan President Yoweri Museveni, Blaise Compaore, president of Burkina Faso, Kenyan Vice President George Saitoti and Tanzanian Vice President John Samuel Malecela.

Peacekeepers 'Likely' To Extend Mozambique Stay

OW0410112893 Tokyo KYODO in English 0948 GMT 4 Oct 93

[Text] Tokyo, Oct. 4 KYODO—Japan is likely to extend the stay of its United Nations peacekeeping contingent in Mozambique for another year, government sources said Monday [4 October].

The sources said units of Self-Defense Forces (SDF) now participating in the UN peacekeeping operation in the southeast African nation would continue their tasks through November 1994. The move is to be taken in conjunction with an anticipated UN Security Council resolution later this month to extend the UN operation in Mozambique (Onumoz), scheduled to end October 31, for another year.

The sources pointed out that the Japanese forces were originally sent to Mozambique on the assumption they would stay there until a general election can be conducted. They suggested it was originally anticipated that if the election was delayed, the Japanese mission would be extended.

Japan sent a total 53 SDF personnel last May. The YOMIURI SHIMBUN reported Monday that the Defense Agency has begun preparation to send replacement troops.

The UN Security Council expressed impatience last month with the slow pace of the peace process and warned former combatants to adhere to a UN timetable on demobilizing troops.

Mozambique's civil war, which erupted two years after the nation gained independence from Portugal in 1975, killed up to 1 million people, created another million refugees, and destroyed the nation's economy.

SDP To Review Opposition to SDF Plane Bill

OW0410103693 Tokyo KYODO in English 1006 GMT 4 Oct 93

[Text] Tokyo, Oct. 4 KYODO—The Social Democratic Party (SDP), one of the seven parties in the coalition government, is ready to review its opposition to the tabling of a bill to allow the Self-Defense Forces (SDF) to use planes to help Japanese overseas, the party secretary general said Monday [4 October].

In Monday's meeting of representatives of the coalition parties, SDP Secretary General Wataru Kubo said the party would revise its opposition and clarify its position on the issue during the extraordinary Diet session set to end December 15, party officials said.

In a separate meeting between coalition parties and the government, Kubo said if the government cannot present the bill it could put the coalition at risk situation, according to the officials.

The other six coalition parties told Kubo they would revise the bill and clarify the government's stance so as to dissipate the SDP's concern that it could open the way for the dispatching of SDF forces overseas, the officials said.

The opposition Liberal Democratic Party (LDP) has submitted such a bill to the House of Representatives.

The lower house voted on a similar bill, aimed at using SDF planes to rescue Japanese citizens caught up in dangerous situations overseas, in the last ordinary Diet session when it had the backing of Komeito and the Democratic Socialist Party (DSP), then in opposition but now in the coalition government.

The bill, however, died without being enacted when the lower house was dissolved in June.

The SDP also opposed the bill in the last parliament session, saying restrictions are needed on the type of aircraft to be used and the equipment given to personnel.

Aug Current Account Surplus Rises 7.4 Percent

OW0510071393 Tokyo KYODO in English 0650 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—Japan's current account surplus in August rose 7.4 percent from the same month a year earlier to 7.23 billion dollars before seasonal adjustment, the Finance Ministry said Tuesday. August was the 29th month in a row of expansion from the year-earlier level for the politically sensitive figure, which represents trade in goods and services.

The unadjusted merchandise trade surplus was 8.97 billion dollars, down 1.3 percent from the previous year.

Exports on a free-on-board (fob) basis gained 5.8 percent to 27.08 billion dollars, while imports on a cost, insurance and freight (cif) basis jumped 9.7 percent to 18.11 billion.

Government Report on Duty To Expand Foreign Aid

OW0510091893 Tokyo KYODO in English 0816 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—Japan, the world's leading aid donor, must expand its foreign aid to gain the trust and respect of the international community, a government report said Tuesday [5 October]. Japan also has a duty to make up for other industrialized nations' flagging interest in developing countries since the end of the Cold War.

The Foreign Ministry's annual report on official development assistance (ODA) called for an improvement in the quality of aid and its ratio of ODA against the gross national product (GNP).

The report pointed out that Japan's ODA reached 11.33 billion dollars in 1992 and that it now provides aid to more than 150 developing countries in Asia, Latin America, the Middle East and Africa. It also offers steady personnel contributions.

Japan's contributions should match its increasingly influential status in the international community, the report said, adding that in turn would give Japan more trust, more importance on the international stage and broader support for its diplomatic activities. Reflecting this is the developing nations' support for Japan in various elections in the United Nations and other international organizations, and the Asian nations' support for Tokyo's contribution to the Cambodian peace process, it said.

Japan should also expand its foreign aid to cater for the supply and demand of funds caused by the end of the Cold War.

Industrialized nations' assistance to developing countries is falling, despite the continuing and growing need for aid to Southwest Asia, Africa, Russia, East European nations, Vietnam and Mongolia. There is also an urgent need to tackle global problems such as the environment, overpopulation, drugs and refugees, according to the Foreign Ministry report.

The United States is giving priority to Russian aid, Germany to the historically linked East European nations and the former Soviet republics, and Britain and France to their former colonies.

The report said, however, that now is a good chance for foreign aid to be effectively used. The end of the Cold War has enabled developing countries to hold down military expenditures and instead invest in industrial and social infrastructures, while the industrialized nations can tackle North-South problems without being swayed by East-West relations.

The donor countries, including Japan, also became more aware of whether or not recipient developing nations had "good governance" before offering aid, so that it could be effectively used for economic and social development.

The report gave as examples of Japan's policy its continued suspension of aid to Myanmar [Burma], Zaire and Haiti due to their political turmoil, while recently suspending aid to Sudan and Sierra Leone for their violations of human rights.

But Japan resumed aid to Vietnam in November 1992, following the Cambodian peace process and Hanoi's payment of its overdue loan. The aid is aimed at supporting Vietnam's Doi Moi economic reform policy so the country can rejoin the international community.

Japan is also actively supporting five central Asian nations, Mongolia and Cambodia, not just financially but by holding international conferences to gather broad support.

Tokyo also resumed loans to El Salvador, where the civil war has ended, and to Iran, in a bid to secure Middle East stability.

When extending assistance, Japan also considers the recipient countries' development progress and provides different forms of aid according to each nation's stage of development, it said. It also carries out research to study requests by developing countries and to discover new items for assistance, instead of waiting for the requests or unconditionally accepting them.

The report also said that Japan should keep in mind the long-term development of countries when offering aid.

Japan should also try to improve its ODA/GNP ratio to make contributions commensurate with its economic power, it said. The ratio currently stands at 0.30 percent, ranking 15th among the 21 nations on the Development Assistance Committee (DAC).

Tokyo could also improve the quality of its aid by expanding the portion of donation, which is the lowest on the DAC list.

Meanwhile, a separate ministry report showed that Japan's flow of funds to developing nations, including East European nations, reached 15.94 billion dollars in 1992, down 36.3 percent compared with the previous year. The funds include ODA, other official funds (OOF), private funds (PF) and donations by non-governmental organizations.

The ratio of the funds against the GNP marked the lowest in recent history at 0.43 percent, it said. The previous low was after the 1975 oil shock, at 0.59 percent.

The report said private funds dropped by 92.5 percent to 838 million dollars, due to a decrease in both direct and bilateral securities investment.

Second City Backs Right To Vote for Foreigners

OW0110110593 Tokyo KYODO in English 1000 GMT 1 Oct 93

[Text] Otsu, Oct. 1 KYODO—The municipal assembly in Yokaichi, Shiga Prefecture, adopted a resolution Friday [1 October] asking the Japanese Government to give permanent foreign residents in Japan the right to vote in local elections. Yokaichi is the second city to adopt such a resolution which is expected to add momentum to campaigns throughout the nation to give non-Japanese permanent residents the right to vote and run in elections.

On September 9, Kishiwada in Osaka Prefecture became the first city in Japan to adopt a resolution requesting that non-Japanese residents be enfranchised.

The resolution in Yokaichi was sponsored by Shuji Matsushita, an assemblyman associated with the local association of the Sakigake [Harbinger] reformist political party. It was noted at the council meeting that even though permanent residents of Japan can become employees of local companies and are required to pay taxes, they are not treated equally with Japanese citizens with regard to social protection and voting rights.

Yokaichi has a population of 42,000 with about 800 Korean and Brazilian residents among its non-Japanese population.

LDP Secretary General Discusses Party Reform

OW0110233693

[Editorial Report] Tokyo Asahi Television Network in Japanese at 0155 GMT on 19 September, as part of its 105-minute talk show "Sunday Project" program which begins at 0100 GMT and is moderated by commentator Soichiro Tahara, carries an eight-minute live interview with Yoshiro Mori, secretary general of the Liberal Democratic Party [LDP].

At 0155 GMT, after the roundtable debate joined by Finance Minister Hirohisa Fujii; LDP Secretary General Yoshiro Mori; LDP members Shokei Arai and Shizuo Sato, who have broken away from their former faction and are who calling for abolishing factionalism within the LDP; and other guests, moderator Tahara conducts a face-to-face interview with Secretary General Mori on political reform, including electoral reform, and other issues facing the party.

Tahara first asks Mori what the focus of ongoing discussions on political reform at the current Diet are. Mori says: "The major point is that the political reform discussion is to build a new foundation of the Diet by changing the electoral system." Mori then explains differences in views between the LDP and the ruling parties on the districting of constituencies under a single-seat constituency system combined with proportional representation.

Touching on future party politics, Tahara says Prime Minister Hosokawa hopes to establish a multiple-party system while noting Shinseito [Japan Renewal Party] General Secretary Ozawa's wishes to form a moderate two-party system. Tahara asks Mori to state his views on this issue. Mori, citing the two-party system in the United States and Britain, replies: "Originally, the two-party system was desirable under the single-seat constituency system." But he adds: "However, when the proportional representation system combined with the single-seat constituency system is considered, it would be very difficult for one party to take power. This is where Prime Minister Hosokawa differs with Mr. Ozawa. I do not think Prime Minister Hosokawa thinks it is necessary to so easily introduce the two-party system now because his cabinet is formed by various parties."

Tahara next brings up issues concerning LDP reform, including the question of abolishing factionalism and introducing the age-limit system. Secretary General

Mori says the party convention will be held 29-30 September and by then LDP member Mr. Noda, who is in charge of party reform, is expected to come up with some proposals to reform the party itself. Mori notes attention will be focused on reviewing the party platform and the possible abolishment of factionalism in discussing the party reform issue. He then notes: "I personally feel that factionalism will be meaningless if the single-seat constituency system is introduced."

As for the possible introduction of the age-limit system to the LDP, Mori says opinions are divided and he regards this issue as very difficult to deal with, noting: "I personally think it is desirable that LDP members over 70 years old run for election under the proportional representation system."

The interview ends at 0203 GMT.

Bank President 'Expected To Resign' Over Bribery

OW0210051493 Tokyo KYODO in English 0443 GMT 2 Oct 93

[Text] Osaka, Oct. 2 KYODO—The president of a Wakayama-based bank is expected to resign over allegations that he received 200 million yen of suspicious money from a debt-ridden real estate developer, industry sources said Saturday [2 October].

Kiyo Bank President Juichi Yamaguchi reportedly accepted the funds in a private bank account from Wako Kaihatsu, which has borrowed some 40 billion yen from the bank and its affiliated nonbank institution, the sources said. The acceptance of the funds was reported at a press conference Friday by the bank's Vice President Tatsuji Nishi.

They said extending huge loans to Wako is questionable considering that the developer has been in the red for several years and has a low credit rating. The finance ministry is expected to investigate the case, the sources said.

The Osaka Public Prosecutors' Office is currently investigating the developer, which is also headquartered in Wakayama, for an alleged violation of the National Land Use Law in relation to an ongoing large-scale development project in northern Wakayama.

Hosokawa: No Promise on Consumption Tax Raise

OW0510103493 Tokyo KYODO in English 1016 GMT 5 Oct 93

[Text] Tokyo, Oct. 5 KYODO—Prime Minister Morihiro Hosokawa declined Tuesday [5 October] to promise that his government will not raise the consumption tax rate, now set at 3.0 percent.

"I cannot pledge there will be no hike of the consumption tax rate under the present administration," he told the House of Representatives Budget Committee.

North Korea

Spokesman Denounces IAEA Resolution

SK0410230093 Pyongyang Korean Central Broadcasting Network in Korean 2116 GMT 4 Oct 93

[Statement issued by a DPRK Foreign Ministry spokesman in Pyongyang on 4 October regarding the International Atomic Energy Agency resolution on the nuclear issue—read by announcer]

[Text] The International Atomic Energy Agency [IAEA] brought up our issue [uri munje] for discussions at its 37th general meeting, which was held recently, and adopted a so-called resolution, contradicting our sincere efforts and many countries' desire to resolve the nuclear issue of the Korean peninsula through negotiations.

We regard the adoption of a resolution against us at the IAEA general meeting as a violent infringement upon our Republic's sovereignty, as well as a part of the insidious political offensive aimed at international pressure on us, which we strongly oppose.

At a time when the DPRK and the United States have recently held negotiations for resolving the nuclear issue and when negotiations between the DPRK and the IAEA are being promoted, a resolution on our issue has been adopted. We cannot help but consider this to be a result of the political scheme to block the nuclear issue from being resolved through negotiations and to stifle [apsal] our Republic. This also shows that the range of unfair treatment of us is being expanded by some members of the IAEA.

Presenting our issue on the agenda of the IAEA general meeting and adopting a resolution on it were conducted according to a scenario written by some Western forces in the IAEA and the Secretariat of the Agency in order to avoid their direct responsibility for the nuclear issue by creating an outside pretext [woepi], while saying that the demand for inspections has been called for by the international community.

DPRK-U.S. talks and DPRK-IAEA negotiations that have been held up to the present clearly reveal who is responsible for the origin of and complication of the nuclear issue.

Thus, being in an awkward situation, some Western forces in the IAEA and its Secretariat foolishly attempted to avoid their responsibility by making it appear that this unjust demand is the will of the international community in the name of the IAEA general meeting.

In view of this, it is needless to say that the so-called international community's demand is no more than a veil for concealing the misdeeds of some Western forces.

We will never recognize such a demand blatantly violating the sovereignty of a country and a nation, with the interests of Western countries as the yardstick, as the will of the international community.

The course of the IAEA general meeting once again proved that the steps taken by the IAEA Secretariat and its Board of Governors regarding our issue in the past have been unjustifiable.

The resolution of the recent IAEA general meeting refrained from using such coercive words as special [tukpyol] inspection and complaint at the United Nations, which some quarters of the IAEA Secretariat and its Board of Governors had not forgotten to use whenever they randomly issued resolutions on our issue.

This was because such measures of the IAEA Secretariat and the Board of Governors were so unjust that they could not be followed by the majority of member states attending the IAEA General Assembly.

Such results of the IAEA General Assembly reveal the vulnerable and unjustifiable acts of some IAEA officials who had frantically called for adopting the resolution of special inspections against us in the past. In the face of this reality, the IAEA has no justification or courage to interfere in resolving our nuclear issue. Some officials of the IAEA must be duly held responsible for breaking its negotiations with us and preventing the resolution of the nuclear issue due to their unfair acts.

Of course, as a member of the international community, we respect the IAEA. There is no change in our will to discharge faithfully the duty we have assumed before the IAEA. Our comments are confined to the IAEA officials who follow the Western forces. It was due to the IAEA partiality and limitedness [chehansong], that the United States has talked with us. Practical questions have been discussed to resolve the nuclear issue at the talks.

Today's situation proves once again that the nuclear issue can be resolved only through DPRK-U.S. talks. As in the past, we will also make all efforts for a fair and early solution of the nuclear issue.

North-South Delegates Hold Contact 5 Oct

SK0510130593 Pyongyang Korean Central Broadcasting Network in Korean 1206 GMT 5 Oct 93

[Text] Amid the nation's expectations and concern, a contact of working-level delegates for the exchange of special envoys of top leaders of the North and South [pungnam choegowigubui tuksa] took place at Tongilgak on our side of Panmunjom today.

The contact of working-level delegates came as a result of all the sincere efforts made by our side.

Our side proposed the exchange of special envoys of top leaders of the North and South on 25 May and has made every effort to realize this proposal for the past four months. However, the South side did not accept our proposal for the exchange of special envoys at once and, moreover, has continuously refrained from expressing a clear attitude toward two principled issues raised by us, that is, not conducting all nuclear war exercises against its fellow countrymen and not pursuing an international cooperative system with regard to the nuclear issue. Therefore, no special envoys could be exchanged.

The contact of working-level delegates could take place because the South side accepted the magnanimous proposal for contact which, in the 2 October telephone message, our side advanced out of a desire to exchange special envoys at the earliest possible date.

The contact took place behind closed doors.

At the end of the contact, the head of our side's delegation briefed reporters on it.

In the contact, our side, first, stressed that, at present, the exchange of special envoys of top leaders of the North and South is the most reasonable way to achieve a practical breakthrough in improving the acute North-South relations and achieving peace in the country and its peaceful reunification. After saying this, our side advanced a proposal on working formalities for the exchange of special envoys.

When advancing the proposal for the exchange of special envoys, our side had proposed to exchange vice-premier officials in charge of the reunification affair. However, the South side appeared to find it difficult to accept this proposal. Taking the South side's opinion into consideration, our side advanced a flexible proposal to the effect that any officials appointed by the top-level leaders of the two sides will do and stated that it is desirable that authoritative and responsible high-ranking officials are appointed as special envoys.

With regard to the mission and duties of the special envoys, our side said that it would be desirable for the two sides to discuss the questions of implementing the joint declaration on the denuclearization on the Korean peninsula, urgently taking joint measures for easing tensions and the implementation of the North-South agreement, promoting a great unity of the whole nation, realizing the highest-level talks, and a series of other pending issues of common concern for the two sides.

Our side suggested that the exchange of special envoys be made through alternate visits to Pyongyang and Seoul and that the exchange of special envoys be made right after an agreement on the matters of working formalities is reached, adding that the sooner the better.

Our side said that the personnel who would accompany the special envoys and the period of their stay in the other side's area should be decided through discussions so that the envoys can smoothly fulfill their missions.

Our side added that other questions such as the guarantee of their personal safety, procedures of passage through Panmunjom, and the guarantee of conveniences should be solved according to usage at the time of previous dialogues.

In view of the importance of the exchange of special envoys, our side, then, mentioned the need to create an atmosphere for exchanging special envoys. Our side also noted all the compatriots are eagerly hoping that the two sides will discuss and solve various questions—including the denuclearization of the Korean peninsula—raised between the North and the South in conformity with national interests, by successfully realizing the new exchange of special envoys. This would provide a turning point for the country's peace and reunification as soon as possible.

Our side stressed that the two sides, above all, should eliminate obstacles standing in the way of exchanging special envoys in order to have the exchange of special envoys realized successfully and have special envoys fulfill their lofty missions in response to the compatriots' pressing desire. Noting that the biggest obstacle which may endanger the success in the exchange of special envoys is the nuclear war exercises conducted by the South side against the other party to the dialogue, our side stressed that dialogue cannot be realized successfully while the nuclear war exercises such as the Team Spirit joint military exercise, the Ulchi-93, and the Ulchi-Focus Lens joint military exercise, which will inflict nuclear disaster upon fellow countrymen, are being conducted. Our side also emphasized that even though such a dialogue is being held, the dialogue cannot be one of good faith and that the dialogue will inevitably face twists and turns of suspension and rupture.

Our side, then, held that if the South side truly wants to successfully realize and promote an authoritative and assuring exchange of North-South special envoys, it should make a bold decision to stop all the hostile nuclear war exercises against fellow countrymen.

Another big obstacle to the exchange of special envoys is that the South side is crying for an international mutual cooperation system under the pretext of the nonexistent nuclear suspicion against us. Our side added that if the South side tries to solve the problem by means of putting pressures on us with the help of outside forces, running counter to the idea and spirit of the joint declaration on denuclearization after going back on the promise which it made with fellow countrymen when the joint declaration on denuclearization was adopted and effectuated, it would not be necessary to discuss the issue of denuclearization through the exchange of North-South special envoys and, therefore, the exchange of special envoys itself would be meaningless.

Noting whether a contact of bilateral working-level delegates proceeds smoothly, and the exchange of special envoys can be realized at an early date or not, totally depends on how the South side reacts toward the two questions of principle put forward by our side, our side stressed at today's contact that the South side should manifest its position for sure.

Taking a serious view of the South side's infiltration of a spy ship into the western territorial waters of our side in mid-September, when the exchange of special envoys was on the order of the day, our side stressed that the South side can never evade the responsibility for the case and strongly urged it to make an apology to our side.

Our side pointed out that the South side is fervently engaged in anti-Republic scheming commotions by even bringing forth the development of our non-existent biochemical weapons at a time when the state of tension has been heightened due to the infiltration of the spy ship. Our side continued to say that if the South side, being unhappy about the DPRK-U.S. talks, attempts to attain its insidious political purposes by straining the situation on the Korean peninsula and aggravating the North-South relations, it has miscalculated the matter.

From the beginning of the contact, the South side made a poor excuse, declining to answer the two questions of principle put forward by our side.

Worse still, the South side let out a string of unreasonable excuses, claiming that the just questions of principle put forward by the North side were not matters to be discussed at the working-level contact and they were preconditions for the exchange of special envoys.

Taking the South side to task for its insincere attitude, the North side strongly urged it again to clearly manifest its attitude toward the questions.

The South side, however, defended itself, arguing that there are no nuclear war maneuvers on the Korean peninsula and that they are annual defensive exercises with conventional weapons.

Our side noted that it is absurd for the South side to invite our side's special envoy to its side when it has decided to continue staging of large-scale nuclear war exercises, including the Eagle exercise in late October.

Noting that if seen from a national viewpoint, it is improper to babble about joint cooperation with Japan opposing us, not saying a word about Japan, which is stepping up its nuclear armament.

These facts clearly prove that the South side has no willingness to settle with us the issue through the exchange of special envoys.

Saying that our side's firm position is that the exchange of special envoys of the North and South is realized at an early date no matter what happens, our side demanded that the South come out to the next contact after extensively deliberating on the two questions of principle put forward by us.

The course of the contact showed that though the South side came out to the working-level contact, repeatedly urged by the North side, it had no willingness to realize the exchange of special envoys at an early date.

The two sides agreed to have the next contact on 15 October.

Further on South's 'Anti-DPRK Campaign'

SK0510053493 Pyongyang KCNA in English 0451 GMT 5 Oct 93

[Text] Pyongyang, October 5 (KCNA)—The South Korean authorities are getting frenzied in the anti-DPRK campaign, spreading a sheer lie about the "development of biochemical weapons" by the DPRK. This comes under fire in the press here today.

A NODONG SINMUN analyst says:

In setting afloat the fiction about the "development of biochemical weapons" the South Korean authorities seek to attain their sinister intention at any cost through the "second row over the nuclear problem," with their first row brought to grief.

They also pursue the sinister purpose of hastening their preparations for biochemical warfare along with a nuclear war.

At a time when all the fellow countrymen hope for national reunification and unity, the South Korean authorities are spreading a lie about the "development of biochemical weapons", as if their "row over the nuclear problem" were not enough, in an effort to foster distrust and confrontation within the nation. This is an intolerable treacherous act.

It is a mistake if the South Korean rulers want to get something through the anti-communist plot.

A MINJU CHOSON analyst stresses that the South Korean authorities must draw a lesson from the lot of the preceding dictators who met their miserable doom while engaging themselves in the anti-DPRK campaign and promptly stop the smear campaign against the DPRK.

ROK Atomic Bomb Victims Demand Compensation

SK0510111793 Pyongyang KCNA in English 1007 GMT 5 Oct 93

[Text] Pyongyang, October 5 (KCNA)—The South Korean association of A-bomb victims reportedly held a meeting in Seoul recently with the attendance of A-bomb victims and bereaved family members of victims, over 500 all told, and demanded the payment of compensation.

The chairman of the association said at the meeting that, due to the insincerity of the South Korean authorities, the people who suffered from atomic bombing in Japan in 1945, are left without measures for living till now, not to say about medical treatment.

They declared that they would wage various forms of struggle protesting the authorities' behaviour in treating them coldly.

Academy Publishes Report on Tomb of Tangun

SK0210055893 Pyongyang KCNA in English 0420 GMT 2 Oct 93

[Text] Pyongyang, October 2 (KCNA)—The Academy of Social Sciences of the Democratic People's Republic of Korea on October 2 published a report on the disinterment of the tomb of Tangun.

The report, citing real materials obtained by disintering the tomb, proves that Tangun who had been distortedly described as a mythical and legendary character existed actually, and proved the 50-century long history of the Korean people and the homogeneity of the nation.

The lengthy report says that the birthplace of Tangun is around Pyongyang, and it has been scientifically proven by a survey that the bones of two persons unearthed from the tomb of Tangun in Kangdong County, Pyongyang Municipality, belonged to Tangun and to a woman. Tangun's bones have been identified by a modern instrument as ones dating back 5011 years.

The report recalls that the Japanese imperialists, seeking to misrepresent the long history of the Korean nation as one shorter than Japan's, employed "master hands" at the forgery of history in distortedly describing Tangun as a mythical and legendary being to erase him from history. In this they intended to justify their brigandish doctrine of colonial domination, the doctrine that the "superior" Yamato nation should "assimilate" and rule the "inferior" Korean nation.

With the establishment of Tangun as an actual being and the confirmation of the fact that the Korean nation has lived stoutly, developing culture as a homogeneous nation since Tangun Korea, the Korean nation's pride and honor as the posterity of Tangun has been exalted and the 70 million fellow countrymen with one ancestry have become able to struggle to accomplish the noble cause of national reunification, united ever closer.

KCNA on Proof of Tangun's Existence

SK0210111393 Pyongyang KCNA in English 1027 GMT 2 Oct 93

["Tangun Scientifically Proved To Have Been Real Character and Founder of Kojoson"—KCNA headline]

[Text] Pyongyang, October 2 (KCNA)—Archaeologists of the Academy of Social Sciences of the DPRK scientifically proved, citing irrefutable real materials, that Tangun who had been distortedly described as a mythical, fictitious being by the Japanese imperialists in the past, existed actually and he is the father of the Korean nation and the founder of Kojoson (ancient Korea).

In this regard the academy today published a report on the excavation of the Tomb of Tangun. According to the report, Tangun, the father of the Korean nation, founded Korea, or ancient Korea (Kojoson), the first state in the east, with Pyongyang as its capital, 5,000 years ago. This marked the end of the more than one million year long primitive age in our country and the entry of our nation into the age of state, an age of civilization. This was, indeed, an epoch- making event in the history of our nation.

The great leader Comrade Kim Il-song has said:

"Our people boast a 5,000-year long history, and they are a resourceful people with a brilliant culture." The 5,000-year long history of our nation began with the founding of a state by Tangun.

The birthplace of Tangun, the founder of Kojoson, was the Pyongyang area. After founding the state in the present-day Pyongyang, Tangun annexed small states in its surroundings and gradually expanded its territory. Kojoson founded by Tangun existed for nearly 3,000 years, and developed into a powerful ancient state in Asia, outstretching its territory far and wide to the great wall of China. It was also the Pyongyang area where Tangun died and was buried.

The history of Tangun and Kojoson, however, could not be clearly confirmed, seriously distorted and obliterated by the flunkeyists and historians on the payroll of Japanese imperialists in the past.

Acquainting himself with this fact down to details, the great leader President Kim Il-song gave a precious instruction that the Tomb of Tangun should be unearthed. He earnestly said that in order to establish the history of the nation from an independent point of view, it was necessary to correct, above all, the history of Tangun and Kojoson which had been ruthlessly destroyed by the Japanese imperialists in the past.

Archaeologists of the Academy of Social Sciences excavated the Tomb of Tangun some time ago, upholding the teachings of the great leader.

The Tomb of Tangun, the founder of the Korean nation, is a valuable historical site that proves the 5,000-year long history of our people. The Tomb of Tangun is located on the southeastern slope of Mt. Taepak a little way off Kangdong-up to its northwest. Having been dug out stealthily by the Japanese imperialists in the pre-liberation days, the tomb has not yielded many relics. Most noteworthy, however, is the excavation of bones of two persons.

Eighty-six pieces of bones were found in the chamber of the coffins of the tomb, most of them being arm and leg bones and pelvic bones. The bones belong to one man and one woman. An examination of the bones to identify the sex was conducted on the basis of pelvic bones. It is estimated that the male was a very healthy man who lived a long life and he was more than 170 cm tall. The male bones from the Tomb of Tangun was also measured. Thus, it has been scientifically proven that they date back 5011 years. The bones are the very remains of Tangun.

The remains of Tangun have been preserved for so long period, not decayed completely, because they have been buried in a limestone stratum and its soil is composed of elements preventive of the corrosion of bones. Old literatures clearly state that Tangun was a real being and the founder of Kojoson and that the Korean ancestors performed sacrificial rites at his tomb in Kangdong, regarding him as a person who actually existed. "Weishu", a Chinese book of history compiled third century A.D. made it clear that Tangun founded Kojoson, saying: "A man called Tangun Wang from 2,000 years ago chose Asadal as the capital and founded a state and named it Choson (Korea)."

"History of Three Dynasties" written in the period of Koryo Dynasty regards Tangun as the founder of Kojoson and introduces Tangun's myth from "ancient records" and the record about Tangun from "Weishu" under the title "Kojoson." Cho Pak, minister of protocol, in 1392 wrote: "Tangun of Korea is the king who founded the first state in the east." It was "Handbook of Eastern State" compiled in 1484 that began the recording of the Korean national history from "Tangun's Korea." Later, in the whole period of the Yi Dynasty, they customarily wrote about "Tangun's Korea" in the first part of the national history.

There are no small number of documentary records about the Tomb of Tangun. "A New Enlarged Edition of Summary Sketch of Scenic Spots of Korea" completed in 1530 is the first book which stated in clear terms that the Tomb of Tangun is the tomb of the king who actually existed. That the Tomb of Tangun is situated in Kangdong is recorded on different pages of "true records of the Yi dynasty."

Noting that the traditional conception of our ancestors recognizing Tangun as the founder of the first state in Korean history for thousands of years was ruthlessly trampled down under the Japanese imperialists' policy of obliterating Tangun during their occupation of Korea, the report says:

The Japanese imperialists thought that without ignoring the historical records on Tangun's Korea and obliterating it, they could not justify the brigandish doctrine of colonial domination, the doctrine that the "superior" Yamato Nation must "assimilate" and dominate the "inferior" Korean nation, because the year of the foundation of Korea by Tangun set out in the historical records is nearly 1,700 years before the time of the foundation of Japan written in their groundless myth of national foundation (660 B.C.).

With a view to erasing Tangun from Korean history, the first governor-general of Japanese imperialism, Terauchi, mobilized police to search bookstores and houses across Korea and confiscate and burn hundreds of thousands of volumes of valuable books on the history, culture and geography of the Korean nation including history books related to Tangun.

In order to make the time-honoured history of the Korean nation appear to be shorter than theirs, the Japanese imperialists set up an organ compiling Korean history in the Privy Council of the government-general in 1915 and forged Korean history through the "Korean History Compilation Committee" under the direction of their successive governor-generals and political inspectors general in Korea.

In the "compilation" of "Korean history," the crafty Japanese imperialists deleted the history of "Tangun's Korea" under the pretext that there were no sufficient materials and manipulated such "master hands" at the forgery of history as Imanishi to "prove" in a far-fetched way that Tangun was no real person but a mythical being invented in later ages. And they asserted obstinately that Tangun could not be mentioned in "Korean history" because he was a mythical being.

The Japanese imperialists removed without hesitation from the Korean history compilation organ anyone who was standing in the way of obliterating Tangun, even if he was Japanese. Thus, the history of "Tangun's Korea" was deleted from part 1 of "Korean history" compiled by Japanese imperialism, and the conception that Tangun was a mythical person and false being spread worldwide.

If the Korean nation had not lost their country to Japanese imperialism, the traditional conception that Tangun was a real character and the founder of Kojoson would have been wholly handed down to this date and a considerable progress would have been made in the study of the history of Tangun's Korea. The history of the national ruin of Korea left the bloody lesson that a nation which loses its state loses their ancestors, too.

Underlining the great historical significance of the excavation of the Tomb of Tangun and his remains, the report says:

It has been scientifically clarified that Tangun who had been considered to be a mythical and legendary being existed actually. Accordingly, it has become evident that Korea was an advanced civilised state in the east and it has a history of 5,000 years and brilliant culture. It has been proven eloquently that scenic Pyongyang where Tangun held his court after founding Kojoson was one of the cradles of humanity where the man unearthed at the Komunmoru site, "Yokpo man" (ancient-type man), "Mandal man" (Paleolithic man) and old-type man of Korea emerged, the birthplace of the Korean nation and the cradle of the first state of Korea. We can say with pride that the Korean nation is a homogeneous nation with Tangun as its father. In this sense, the excavation of the tomb of Tangun and the discovery of his remains are a victory of our archeology and, furthermore, a great victory of the Korean nation.

With the establishment of Tangun as a real character and confirmation of the fact that the Korean nation has stoutly lived, developing culture as a homogeneous nation since Tangun's Korea, the pride and honor of the Korean nation as the posterity of Tangun has been exalted and the 70 million Koreans of the same blood have become able to struggle, united ever closer, in the course of accomplishing the noble cause of national reunification. The report stresses that the restoration of the history and culture of Korea founded by Tangun, a history of 5,000 years, is entirely a brilliant fruition of the wise guidance of the great leader Comrade Kim Il-song who established chuche in the study of national history.

Editorial Hails Excavation Result

SK0510035893 Pyongyang Korean Central Broadcasting Network in Korean 0200 GMT 4 Oct 93

[NODONG SINMUN 4 October editorial: "Let Us Glorify the 5,000-Year Long National History, Upholding the Leadership of the Party and the Leader"]

[Text] All the people throughout the country have felt great joy and pride since they heard the news on the excavation of the Tomb of Tangun. As was already reported, scholars of the Academy of Social Sciences carried out the excavation of the Tomb of Tangun, upholding the great leader Comrade Kim Il-song's teaching and the party's intent, and made public the result of the excavation.

This scientifically proved that Tangun was not a mythical and legendary being and actually existed and that he founded Kojoson, ancient Korea, with today's Pyongyang as its capital as the first state in the East. Thus, our nation's 5,000-year long history and its unitarianism has been definitely proved. This is an epochal event in the history of our nation, as well as the Korean people's great victory.

The dear leader Comrade Kim Chong-il noted: Our people are a unitary nation from one blood line. They have used a single language and culture and lived on one land since a long time ago. They are a wise nation that has a 5,000-year long history and an excellent culture and tradition.

The result of the excavation of the Tomb of Tangun is a brilliant fruit of the wise leadership of the party and the leader. A nation, which has tried to develop independently, naturally establishes correctly its national history and has deep interest in proving its everlasting history. This cause has great significance for a nation's existence and development, and it can be brilliantly realized only when the nation upholds a great leader [suryong] and a great leader [yongdoja].

From the result of the excavation of the Tomb of Tangun, and only under the leadership of the great leader [suryong], have our people deeply learned the truth of history and have been able to decorate their history of worthwhile struggle and creativity and correctly discover their national history and ancestors.

The discovery of the history of Tangun and Kojoson and the 5,000- year long history and culture resulted completely from the great leader's wise leadership that enabled the research of national history to be based on the chuche idea.

The great leader said that in order to make the history of our nation stand on a chuche-based position, we should correct the history of Tangun and ancient Korea, which was seriously obliterated by Japanese imperialists, and he taught on the need of excavation of the Tomb of Tangun. The great leader gave many instructions on this, thus leading scholars to find out that Tangun, the father of our nation and the spiritual symbol of our nation, actually existed.

The great leader personally came to the excavation site to acquaint himself with the progress of the excavation of the Tomb of Tangun and gave instruction, which became programmatic guidance for systemizing the research of history of Tangun and Kojoson and the 5,000-year history of our nation on a chuche-oriented basis. He ordered the organization of a committee for rehabilitation of the Tomb of Tangun in order to rebuild it at the highest level and then took steps wisely to accelerate this project by concentrating state- level efforts.

Hidden behind the course of solving a pending question, which was blank in the history of our nation, the discovery of valuable remains through an excavation of the Tomb of Tangun by archaeologists and historians, are the leadership and unremitting efforts of the fatherly leader, who has led them in every step of the excavation.

Since he was young, the dear leader Comrade Kim Chong-il has warmly led historians to systemize the time-honored history of our nation based on a chuche-oriented view of history, overcoming the flunkeyist and nihilist way of studying national history.

Upholding the great leader's intent, the dear comrade leader cared for scientists' research concerning the excavation of the Tomb of Tangun with the greatest circumspection. He enabled them to investigate relics and remains by using modern scientific and technological means.

The result of the excavation of the Tomb of Tangun is indeed a great victory of our nation that has elucidated in a chuche-oriented way the history of Kojoson, which was seriously distorted and obliterated by flunkeyists and historians on the payroll of Japanese imperialists, after smashing all their preposterous sophistry. This victory proves eloquently that the truly worthwhile, time-honored history, and precious inheritance of our nation are shining all over the world in our age under the leadership of the great leader and dear comrade leader.

Our people learned through reality that the greatness of a nation is the greatness of its leader, and they bear deep in their minds that the respected and beloved leader Comrade Kim Il-song is the great sun that glorifies our nation, while valuing it highly.

The result of the excavation of the Tomb of Tangun under the wise leadership of the party and the leader is very significant in the history of our nation.

The history of ancient Korea, which has now been revealed, arouses our people to struggle vigorously to pioneer their fate with much pride.

In particular, it becomes clear that Tangun founded ancient Korea with scenic Pyongyang as its capital. Thus, it also becomes clear that Pyongyang was one of the birthplaces of mankind, the birthplace of the Korean nation, and the center of the foundation and development of our national state.

Pyongyang comes to hold a firm position as the capital of the socialist fatherland, as well as the important birthplace of mankind's history and culture. This gives our people national dignity and pride. This also consolidates our people's will to more properly build and glorify Pyongyang, capital.

The history of Tangun Korea will be brilliantly linked generation after generation by the Korean people who have high national pride and self-respect.

The success of excavating the Tomb of Tangun is a milestone in researching our national history. As a result, it is possible to lay a foundation for systematizing national history ranging from the first period of founding Korea to today, with the chuche idea as an ideological, theoretical, and methodical guideline.

Today our people are assigned the task of brilliantly realizing the national historical cause while carrying forward a 5,000-year-long history and culture that the great leader Comrade Kim Il-song has regained.

Above all, we should have high national pride and self-respect. With the pride and self-respect of being born as the Korean people of a single nation and who have a long history, we should earnestly love the fatherland and the nation. We should wage a vigorous struggle to glorify the national history.

All party members and working people should uphold the great leader as the loadstar of the national liberation and the genius of revolution and construction. With the pride and self-respect of carrying out the revolution under the leadership of the dear leader comrade and with the Korean-people-are-first spirit, they should rally around the party and the leader whatever happens. By so doing, they should firmly defend national dignity and national sovereignty.

With the materials related to the excavation of the Tomb of Tangun, the party organizations at every level and the working people's organizations should substantially conduct ideological indoctrination to enhance national dignity among the party members, working people, and new generations.

The entire population should vigorously struggle to achieve national reunification and prosperity. The Korean people, whether they are in the North, South, or overseas, are all the posterity of Tangun, and are of a single nation with the same blood.

Achieving national reunification and prosperity is a sacred cause to pioneer our national fate. All Korean compatriots, who are concerned about the fate of the nation, should give priority to national homogeneity, by transcending the difference in political view, religions, and degree of ownership. They should unite together under the banner of great national unity. By so doing, they should drive out foreign forces and expedite national reunification.

The Korean people, whatever they may do anywhere, should not throw away the spirit of the Korean nation. With a warm patriotic mind, they should make a characteristic contribution to the sacred road for national reunification.

Strengthening the research of national history based on the success of excavating the Tomb of Tangun is an honorable and responsible duty for scholars concerned. Scholars concerned should keep in mind the patriotic and nation-loving ideology of the fatherly leader [oboi suryong] and the dear leader comrade. Based on the chuche-oriented method and the direction in research of Korean history, which our party has set up, scholars concerned should devote all strength, wisdom, enthusiasm, and ability to researching the history of Tangun and ancient Korea. By so doing, they should effect many successes in their research to meet the expectation of the party and the people.

We should reconstruct the Tomb of Tangun as soon as possible. The Tomb of Tangun is a valuable historical remain, which proves 5,000 years of history of our people. When the Tomb of Tangun is reconstructed, it will be a cultural asset, which brings into full play the resourcefulness and pride of the single nation generation after generation.

Domains concerned should vigorously promote the work related with the reconstruction of the Tomb of Tangun. All party members and working people should, with a patriotic and nation-loving spirit, make all sincere efforts for the reconstruction of the Tomb of Tangun.

With the firm national mission and self-awakening, we should vigorously struggle to glorify the long history of our nation under the wise leadership of the party and the leader. By so doing, we should bring into full play our resourcefulness and glory.

Academic on Tomb Discovery

SK0510045793 Pyongyang KCNA in English 0437 GMT 5 Oct 93

[Text] Pyongyang, October 5 (KCNA)—Dr. Mun Pyong-u, a room chief of the history institute of the DPRK academy of social sciences, gave in NODONG SINMUN his views of the excavation at the Tomb of Tangun, the founder of Kojoson (ancient Korea).

He said "History of Three Dynasties" written in the period of the Koryo Dynasty clearly states that Tangun is the founder of Kojoson, and books published later contain many data testifying to it, but they had been erased from history books by the Japanese imperialist aggressors after their occupation of Korea.

He recalled that the Japanese imperialists seized and burnt valuable books that prove the long history of the Korean nation and denied the existence of Tangun as a real character, describing him as a "mythical being".

"It was not until the liberation of the country that a broad avenue was opened for the study of the nation's history and noteworthy successes were registered thereupon," he said, adding: "However, descriptions of Tangun and Kojoson have not yet been given from a rightful position because of the lack of archaeological remains enough to corroborate the existence of Tangun and Kojoson."

"As a consequence, a vague description has been given to the effect that Kojoson had been founded before the 10th century B.C."

"The remains found from the Tomb of Tangun recently has turned out to be dating back more than 5,000 years, and this confirmed that Tangun was a real historical character and the founder of Kojoson, and provided a stepping-stone for a scientific systematization of the ancient history of Korea," he said, and went on:

"The remains and relics from the Tomb of Tangun set up a new landmark in the study of our nation's history.

"It is entirely a result of the wise guidance of the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il that Tangun has been established as a real character and the history of Kojoson which had been buried in the mist of history has been made clear."

"The great leader and the dear leader, with noblest love for the nation and chuche outlook on history, have corrected one by one the history of our nation which had been distorted by the flunkeyists and historians on the payroll of imperialists."

Dr. Mun said the great leader personally went round the Tomb of Tangun in order to set right the history of Kojoson, indicating in detail the orientation and ways of studying it.

South Korea

North-South Working Contact Held 5 Oct

SK0510034693 Seoul KBS-1 Radio Network in Korean 0310 GMT 5 Oct 93

[Text] A contact between working delegates of the North and the South for the exchange of special envoys was held this morning at Tongilgak in the North side area of Panmunjom for the first time since the new government came to office.

The North-South working contact was held eight months after suspension of dialogue. At the contact, Song Yong-tae, our side's senior delegate, stressed that the exchange of special envoys should be realized at an early date for the settlement of the nuclear problem with priority.

Reporter Pae Sok-chu reports:

[Begin Pae recording] The working delegates from the North and the South resumed official talks with difficulty after eight months and 11 days of suspension of dialogue. Prior to the talks, they exchanged informal talks on the issue of reunion of separated families and the like, for about 10 minutes. They then began to discuss the issue of working-level procedure for realization of the exchange of special envoys.

At today's talks, our side proposed to the North side to mutually exchange special envoys of top authorities in order to resolve the nuclear issue with top priority as soon as possible.

Song Yong-tae, our side's senior delegate, said in his first statement that the exchange of special envoys should be an important occasion for discussing and resolving the nuclear issue with priority and for settling important pending problems between the North and the South.

Delegate Song stressed that the method of exchanging special envoys so that one side will visit the other side and convey the intentions of the top authorities through a personal letter and then, after exchanging opinions, the visit will be reciprocated, is reasonable. He then proposed that the North side's special envoy visit our side first.

Delegate Song said that the sooner the first visit of a special envoy is made the better, and that a four-night and five-day visit would be appropriate.

Prior to talks, Song Yong-tae, our side's senior delegate, and Pak Yong-su, the North Korean side's senior delegate, exchanged informal talks for about 10 minutes starting 10:00 sharp about the North side's excavation work of the Tomb of Tangun [founder of Korean state] and the issue of a reunion of separated families.

Song Yong-tae, our side's senior delegate, said that about 2 million people visited their old home towns and ancestral tombs during Chusok [full moon harvest day], but separated families stayed at home lonely. He also noted that North Korean wine is very popular among the people in Taejon Exposition and hoped that free exchanges of commodities between the North and the South will be realized actively at an early date.

Pak Yong-su, the North Korean side's senior delegate, said that North Korean archaeologists excavated the Tomb of Tangun and discovered the skeleton of Tangun. After talking about this discovery for a long time, he said that the failure in exchanging special envoys in the past must be because there were differences in views between the government offices and agencies of our side pertaining to its North Korean strategy, thus making provocative remarks.

In particular, at today's talks, Pak Yong-su, North Korean senior delegate, interrupted our delegate's remarks. Thus, he fully displayed his talent as a talk specialist. [end recording]

Agree To Meet Again 15 Oct

SK0510054893 Seoul KBS-1 Radio Network in Korean 0520 GMT 5 Oct 93

[Excerpts] The North and the South of Korea this morning held a contact of working delegates for the exchange of special envoys at Tongilgak in the North side's area of Panmunjom. They discussed the time and method for exchanging the special envoys. [passage omitted on previously covered material]

Today's talks ended two hours after the talks began. At the talks, the delegates of the two sides agreed to hold the second contact in the House of Peace in our side's area of Panmunjom on 15 October. [passage omitted]

Pak Yong-su, the North Korean side's senior delegate, said that the working contact should first seek removal of obstacles to the exchange of special envoys so that the working-level issues for exchanging the special envoys can be discussed and a favorable atmosphere will be created. He again raised a demand for suspension of so-called nuclear war exercises and for abandoning the international cooperative system. As the result of this, today's talks ended without any noteworthy agreement by merely exchanging views of both sides. [passage omitted]

Seoul Proposes North Send First Envoy

SK0510062693 Seoul YONHAP in English 0610 GMT 5 Oct 93

[Text] Panmunjom, Korea, Oct. 5 (YONHAP)—South Korea proposed in a working-level meeting at the truce village of Panmunjom on Tuesday [5 October] that North Korea go first in an exchange of special envoys and send someone to Seoul for five days.

Chief South Korean delegate Song Yong-tae offered to exchange special envoys with North Korea as soon as possible to solve the nuclear issue.

The exchange should be an important opportunity to solve the nuclear issue first and then settle other pending problems, he told chief North Korean delegate Pak Yong-su, Vice Bureau Chief of the Committee for the Peaceful Unification of the Fatherland.

The other South Korean delegates to the meeting, the first in more than eight months, were Kim Il-mu, councilor of the Prime Minister's Office; and Chang Chae-yong, head of the Foreign Ministry's American Affairs Bureau.

The other North Korean delegates were Choe Song-ik and Choe Song-chol, both section chiefs of the Secretariat of the Committee for the Peaceful Reunification of the Fatherland.

Meeting Described as 'Tense'

SK0510065993 Seoul YONHAP in English 0626 GMT 5 Oct 93

[Text] Panmunjom, Oct. 5 (YONHAP)—The first inter-Korean meeting in eight months was held at the truce village in a relatively tense atmosphere Tuesday morning, perhaps because of the long lapse of time.

Vice Unification Minister Song Yong-tae, the Southern chief delegate, and his Northern counterpart, Pak Yong-su, met at the entrance of the unification pavilion and exchanged greetings: "It's been long time," and "glad to meet you."

The so-called working-level contact, called to discuss the exchange of special envoys, started at exactly 10 A.M. But the two sides talked about the alleged discovery near Pyongyang of the Tomb of Tangun, the mythical founder of the Korean race more than 4,000 years ago, and problems of reuniting separated families. "Our archaeologists found not only the tomb, but Tangun's bones," Pak enthused. "It (the find) will be the turning point for our efforts to prove that our history dates back 5,000 years.

"With the find of Tangun's bones, it has been scientifically proved that Tangun was a real man and that taking it as a turning point, the North and the South should come closer together to unite," he said.

North Korea's chief delegate Pak Yong-su, probably aware of the differences of opinion on the unification issue among South Korean ministries, kept repeating his remark on the issue. "When a proposed exchange of envoys failed to realize, I have actually reproached you," Pak said. "But then I found out the National Unification Board (of South Korea) was not the only one to blame. When I heard that you, Mr. Song, who I know well, had become vice unification minister, I thought things will now go well. There must have been a lot of opposition from other ministries," Pak said.

Song recalled that he has met Pak no less than 17 times since they first got together for talks in 1984. The Southern delegate then said, "as we successfully arranged a reunion of some of the separated families in 1985, let's work together this time to realize an exchange of special envoys."

While waiting for the arrival of the Southern delegates, reporters from the South told North Korean chief delegate Pak that many South Koreans are interested in him. "I am not a specialist, like Mr. Song," Pak replied sarcastically. "(but) strangely, I happen to work with him often."

When the Northern delegate was told further that Song had said he knew what Pak was thinking by just looking at his eyes, Pak quipped: "He (Song) must be a fortuneteller."

Fail To Reach 'Concrete Agreement'

SK0510082793 Seoul YONHAP in English 0816 GMT 5 Oct 93

[Text] Panmunjom, Korea, Oct. 5 (YONHAP)—South and North Korea agreed on the need to exchange special envoys named by their presidents as soon as they settle procedural matters in their first meeting in more than eight months at the truce village of Panmunjom on Tuesday [5 October].

They failed to reach any concrete agreement in the working-level talks, however, because North Korea again demanded that South Korea halt its "nuclear war exercise" and stop seeking international cooperation in dealing with North Korea's nuclear issue.

While South Korea called for discussion of the nuclear issue to be the top priority in the exchange of special envoys, North Korea demanded discussions about implementation of the joint South-North declaration on a nuclear-free Korean peninsula and the basic South-North agreement on reconciliation, measures for national unity and a South-North summit.

The two sides agreed to hold a second round of working-level talks at peace house in the Southern side of the truce village on Friday.

South Korean chief delegate Song Yong-tae proposed an exchange of envoys at the earliest date possible to resolve the nuclear question, and suggested that a North Korean make the first visit.

Song brushed aside the conditions set for inter-Korean contact by the North Korean side, saying the working-level meeting should be limited to discussing procedures for exchanging special envoys.

He added, however, that South Korea was willing to be flexible about Pyongyang's call for a halt to the annual Seoul-Washington military drill Team Spirit if the communist regime shows sincerity in resolving its nuclear suspicion.

But the North Korean side insisted that the exchange of special envoys couldn't be realized unless Seoul stopped its "nuclear war exercise" and ended its promotion of international cooperation against Pyongyang.

"These demands are not conditions, but practical measures to realize the exchange," a Pyongyang official said.

Body of Presumed North Korean Spy Found at Sea

SK0510151393 Seoul KBS-1 Television Network in Korean 1239 GMT 5 Oct 93

[Text] The body of drowned individual, presumed to be of a North Korean soldier, was found around 2:30 PM [0530 GMT] on 4 October, 500 meters off the coast of Yongok-myon, Myongju County, Kangwon Province. The corpse was found by Yun Hak-yol, captain of a boat that belongs to the Tonghae branch office of Kangwon Province, and his five crew members.

The police and relevant agencies suspect that the corpse is an armed spy who attempted to infiltrate into the East Sea because the body was dressed with the ROK Armed Forces uniform inside a diving suit and had a camera, lens, and 16 spools of film inside a sealed-up pipe. The police are investigating the case.

* Kim Tae-chung Discusses Unification Strategy

932C0208A Seoul MAL in Korean Aug 93 pp 29-33

["Text" of Speech by Kim Tae-chung on 1 July at Hebrew University, Israel, entitled "Need for New North Korea Policy"]

[Text] Ladies and Gentlemen:

I know that this type of speech customarily begins with a joke. But, unfortunately, I must say, with regret, that jokes on North Korea are extremely rare.

Following my defeat in the presidential election last December, I resigned my parliamentary seat and chairmanship of No. 1 opposition party in Korea and retired from 40 years of political life. Because of that, however, I had to face a very embarrassing situation—joblessness.

Obviously, there are good things, too, about being unemployed. Thanks to my new status, I have had an opportunity to do my research at Cambridge University, which is one of the best in the world, and to speak to you today. My original plan was to stay in Cambridge for 1 year as a research professor, but I am leaving now after five months. It is in part because of the gravely high unemployment rate in England, for I do not wish to add myself to the problem.

However, since my arrival there, many of my supporters visited England. So, I may have made a minor contribution to the tourist industry of that country. At the same time, I hear that media in Korea kept reporting on England and Cambridge daily and, as a result, many Koreans now refer to Cambridge as Kimbridge.

It has been my cherished desire as a Christian to make a pilgrimage to the Holy Land. Israel is one of the birthplaces of great thoughts, along with China, India, and Greece. It produced such prophets as Isaiah, Jeremiah, Daniel, Amos, and Haggai. It is indeed a great honor for me to speak to you at this university with all that in its historical root.

Recently I learned from newspaper reports that the Israeli foreign minister is planning to visit Pyongyang to dissuade North Korea from exporting missiles to Arab nations, because such exports have created a serious threat to the peace in the Mideast. So, it could be of special significance that I discuss the North Korean issue here at this point of time, for the issue now reflects the common interest of our two nations.

The title of my speech today is "Need for New North Korea Policy," a theme which I think will draw much of your attention, in view of the fact that the reported North Korean nuclear ambition and what it means have become a focus of concerns. After a basic review of the current policy toward North Korea, I reached the conclusion that we need a new approach, and I would like to stress that point to you today. I also would like to share with you my view on how to resolve the North Korean nuclear issue.

I believe that a basic change is required in North Korea policy. It is for the following reasons:

First, the end of the Cold War meant that the 48-year confrontation between North and South Korea, which was a direct result of the Cold War and the U.S.-USSR confrontation, should also come to an end. I cannot help thinking that the continued confrontation on and division of the Korean Peninsula, which in the past had a single nation on it for 1,300 years since the 7th century, is both unnecessary and anachronistic. Further continuation of the present state is not in the interest of the Korean Peninsula or the world peace.

Second, presently South Korea holds an overwhelming advantage over North Korea. Democracy is gradually taking root in South Korea, and the South Korean economy is far ahead of the North Korean. Furthermore, South Korea's international prestige is on the rise, both politically and economically.

On the other hand, North Korea remains in extreme isolation and its economy is on the verge of bankruptcy. For South Korea and other democratic nations, it had been considered necessary to carry on suspicion on and confrontation with North Korea, but the need has diminished. Now we should have more confidence in our strength.

Third, we should modify our policy so as to strengthen the position of the moderates in North Korea. I viewed Pyongyang's declaration of its withdrawal from the Nuclear Nonproliferation Treaty [NPT] as an attempt to find a way out typical of the hard-liners led by the military. Therefore, we must not drive them into a tight corner where they could find no alternative but to resort to a military provocation against the South. We should remember the saying that goes "A stag at bay is a dangerous foe."

We must adopt a policy that will strengthen the position of the moderates seeking North Korea's openness. We must not provide the hard-liners with a pretext for a military adventure.

Unfortunately, however, the military regimes in South Korea for the past 40 years pursued policies that largely ran counter to that end. The past policies toward North Korea sought to key up tension, avoid reunification and exploit the reunification issue for domestic political ends. The military regimes defined North Korea as a sworn enemy, refusing any political negotiations with it. They carried on rigid policies. They showed no interest in peaceful reunification. Not only that but they also ruthlessly oppressed advocates of peaceful reunification.

I was subjected to persecution by the military regimes. I narrowly escaped death four times and spent six years in prison and another 10-odd years under house arrest or in forced exile. It was because I had the strong support of the masses and became a serious threat to the military regime; at the same time, it was because I demanded peaceful reunification with North Korea.

The military regime launched the national security rhetoric in every election. In the presidential election last year in which I ran as the candidate of No. 1 opposition party, it fabricated a "Communist South Korean Labor Party" scandal and made a great fuss, implicating me and my party in it. The fact is that I was almost killed by the North Korean Communists during the Korean War, and that I have opposed communism all my life.

Despite all this, the government at the time fabricated stories that I had been clandestinely in contact with North Korea, and that the contacts led to North Korean radio broadcasts supporting my candidacy. It put strain on voters with slanders that I am a Red, dealing a fatal blow to my campaign. After the presidential election, on 29 April 1993, a member of the ruling party Supreme Committee officially apologized for it at a National Assembly session. He made it clear that what had been said against me were unfounded. It was a respectable gesture by the ruling party. We feel happy when those who have committed an error repent their fault.

However, their repentance fell short of declaring a rerun of the election. So, it proved to be a case of, as they say in Korea, "After death comes a doctor"—not to save the life of the patient but to comfort relatives. The apology came too late to save my campaign, but nonetheless I was happy to know that truth wins after all.

I do not deny that there has been some progress in recent years in the cooperation between North and South Korea. A close study, however, will show that it was nothing more than a ruse to mislead the public and use the reunification issue to the end of bolstering the regime. I hope that the Kim Yong-sam government will not repeat the old, shopworn anticommunist rhetoric and the misuse of the reunification issue.

Meanwhile, North Korea has been just as bad in its attitude. We have the evidence that even today North Korea has not abandoned its policy seeking to establish communist rule in South Korea. It refused all forms of interchange with the South, except in extremely rare cases. It is even refusing broadcast and newspaper exchanges. Lately, however, Pyongyang has shown a genuine interest in economic exchange. Although the proposed exchange is not much in scale, it could be a useful start. We should begin with whatever exchanges that are possible.

The North Korean hierarchy sees it as its supreme mission to keep up the regime based on loyalty to Kim Il-song and Kim Chong-il. Apparently, there is a power struggle going on between the hard-liners and the moderates, however. It seems that the hard-liners, emboldened as the moderates' appeasement policies toward South Korea and West Europe failed to produce positive results, are pushing the moderates into a tight corner.

The hard-liners' contention could be as follows:

"You, the moderates, insisted that your appeasement policy toward South Korea and West Europe would bring something to deliver us from the present crisis. That was why we accepted the simultaneous UN membership for North and South Korea which we had absolutely opposed for the past 40 years. We had opposed it because it meant the permanent division of the fatherland.

"We also accepted the cross recognition of North and South Korea by the four big powers—the United States, Japan, China, and Russia—which South Korea and West Europe had yearned for. Now, South Korea has established diplomatic relations with Russia and China. For South Korea, the cross recognition was a success.

"But, as for us, it got us nowhere. No diplomatic relations have been established between us and the United States or Japan or any of the West European nations.

"We signed accords on peaceful coexistence, peaceful exchange, and peaceful reunification. And where do we stand now? There are no signs of economic cooperation being realized. South Korea has even resumed the Team Spirit military exercise which it suspended last year. The exercise is actually a U.S.-South Korean joint landing maneuver against North Korea, isn't it?

"What is there left for us to await any longer? We have reached a blind alley. We can no longer afford to rule out the possibility of a military confrontation with which we still have a relative superiority."

Many experts on North Korea support this analysis. Although we do not necessarily agree to all that the hard-liners would be saying, it is true that North Korea policies adopted by the former South Korean military regimes and U.S. administrations contributed to weakening the moderates' position and to justifying the hard-liners' argument. Such being the fact, there is a need to adopt a fundamentally new policy toward North Korea.

First, in its attitude toward the North, South Korea should shift from that of confrontation and competition to the reconciliation and cooperation as a single national community. North and South Korea are of one nation. Recovery of the endangered national homogeneity should be the very focus of the new policy.

Second, I believe that the reunification of the Korean Peninsula should be achieved on the principle of independence and self-determination. It is extremely important that South Korea cooperates not only with the four big powers—the United States, Japan, China and Russia—but also with Europe. Europe is rich in its experience in national division and reunification. Especially, close cooperation with the United States in the process of reunification is essential.

However, more important for us, the Korean nation, after all is for ourselves to make efforts together to work out our destiny on our own. If you are unable to determine your destiny, somebody else will do it for you. In our history, at the times of the Sino-Japanese War and the Russo-Japanese War toward the end of the Korean dynasty, our ancestors failed to decide their destiny for themselves. We should not allow ourselves to repeat the shameful mistake again.

Third, South Korea should make it clear that it will not seek to absorb North Korea for a hasty reunification. You must be familiar with the Aesop's fable about the Sun being more effective than the North Wind in making the traveler take off his overcoat. South Korea should remember how West Europe generated changes in East Europe and the Soviet Union, and how West Germany had treated East Germany prior to the collapse of communism. It was not the policy of confrontation of the 1950's but Willy Brandt's "Ostpolitik" that generated the changes.

Fourth, South Korea should help North Korea economically. In this connection, South Korea should urge the United States, Japan, and the EC to make their intent clear that if North Korea gives up its nuclear weapons program, they in return will be willing to establish diplomatic relations and economic exchanges with it. I say so because I am convinced that interchange, especially economic cooperation, is the best way to ensure peace and security. Just imagine Pyongyang streets lined with West European embassies, and North Korean cities crowded with businessmen and tourists from South Korea, Japan, the United States, and Europe. I feel that an open North Korea will be a great contribution to the peace in Asia and the world. From an economic viewpoint, especially, it will be in the interests of not only North and South Korea but also the whole world, including the United States, Japan and Europe.

North-South Korea economic cooperation should not be confined to the Korean Peninsula in scope. Such cooperation will be able to benefit Northeast China—the former Manchuria—and Siberia and Mongolia. Our economic future is bright. A superhighway will be built leading to Beijing and Moscow through North Korea and Northeast China. Also, a pipeline and a free way for the shipment of Siberia's natural gas and oil to South Korea will be constructed through North Korea. North Korea's ice-free ports will be used for the shipment of coal, timber and other natural resources. We will be managing traffics of goods to and from China, Mongolia, and Siberia in particular. None of these things can be done without cooperation between North and South Korea.

Fifth, South Korea should establish concrete plans for gradual integration with North Korea. I have been demanding it for the past 20 years, despite the slanders labeling me as a Red. Fortunately, the South Korean government now supports my view while the North Korean government also says that it will give my reunification plan a positive study. Amid such support, I am more optimistic than ever before of our prospects for gradual reunification.

My plan based on the principles of peaceful coexistence, peaceful exchange and peaceful reunification consists of three phases. The first phase is a coalition of two independent governments. The second is a federal government composed of two regional autonomous governments, and the final phase is reunification.

In the first phase, the present North and South Korean governments will maintain their independent authority in defense and foreign and domestic policies. Internationally, they will act as two governments totally independent from each other; their cooperation will be through a coalition body represented by the same number of representatives from each side. The state-level coalition will consider issues relating to peaceful coexistence, peaceful exchange and peaceful reunification. It will work to build mutual trust by ending the military confrontation and reducing social and cultural heterogeneities. All this will help us prepare for the next phase toward reunification.

In five or 10 years, we will enter the second phase, namely, the phase of a federal government. The federal government will be in charge of foreign policy and national defense, plus a few important domestic policies. In this phase, the present North and South Korean governments will be reduced to regional governments. It is considered that this type of gradual reunification process is better for the Korean nation than the German, absorbing-type reunification.

Finally, I would like to say a word about the North Korean nuclear issue. There can be no concessions whatsoever over this issue. We should use every possible means to prevent North Korea from developing nuclear capability. If North Korea should come to possess nuclear weapons, it would mean a nuclear proliferation to South Korea, Japan, Taiwan and Southeast Asia, eventually triggering a global-scale domino effect.

I do not believe that the present NPT permitting the nuclear weapons monopoly to five nations—the United States, UK, France, China and Russia—is a basically correct arrangement. I am not saying, however, that countries should also be allowed to possess nuclear weapons. If they should be allowed, it would threaten the survival of mankind itself.

We must indeed continue to put pressure on the five nuclear powers so that they reduce nuclear weapons stockpiles, ban nuclear testing and eventually dismantle all their nuclear weapons voluntarily. In this sense, we welcome the progress being made in the U.S.-Russia nuclear arms reduction talks.

As I said earlier, North Korea assumed a conciliatory attitude toward the outside world by accepting the simultaneous UN membership plan and the four-power cross recognition formula. Therefore, if North Korea abandons its nuclear ambition and makes clear that it will commit no military provocations against South Korea, it should be duly rewarded by South Korea and the United States. North and South Korea should commit themselves to guaranteeing each other's security. Also, the United States, Japan and the EC should establish diplomatic and economic ties with North Korea. South Korea and the United States should discontinue the Team Spirit exercise.

All these policies I referred to should take the form of a package deal in which all the parties involved sign simultaneously. I believe that such a package deal will sufficiently satisfy the North Korean demands. If North Korea should still refuse to cooperate, there would be no alternative but to take every possible sanction against it, both within and without the UN. In that case, the world public opinion will lay the blame on North Korea, and even China, its closest ally, will be unable to defend it. I believe that a package deal is the only way today to resolve the North Korean nuclear issue.

No other nations in history have suffered so much pains as the Israeli people did in their struggle to preserve their ethnic identity for the past 2,000 years. I am convinced that the whole world is deeply sympathetic with the Israeli people who have come through such ordeals and hardships.

We, the Korean people, also had for thousands of years struggled to protect their nation from the ceaselessly repeated annexation attempts and invasions by neighboring powers. But unfortunately, adversities continued unabated in Israel, and in Korea. In our country, there is a saying that goes "Fellow sufferers sympathize with each other." On this occasion, I wish from the bottom of my heart that our two nations, sharing a similar history and misfortune, will cooperate even more closely in the future in their efforts for peace and independence. I hope that this gathering today has contributed to promoting such cooperation.

Thank you.

Lectures at Columbia University

SK0210085793 Seoul YONHAP in English 0134 GMT 2 Oct 93

[Text] New York, Oct. 1 (YONHAP)—Former South Korean opposition leader Kim Tae-chung said Friday that the two Koreas should unite quickly or they would fall behind as third-rate countries.

If North Korea's nuclear issue is resolved, unification in the form of a federation would be possible if both governments were willing, Kim predicted in a lecture at the East Asian Institute of Columbia University.

Kim, who arrived on Wednesday from Moscow, said unification should be promoted step by step. "Neither side should attempt to accomplish unification by absorbing the other," he said.

Once unification is achieved in the form of a federation, Kim said, Korea-wide economic development and restoration of national homogeneity could be realized through peaceful co-existence and mutual cooperation.

"If we alone go along with the cold war mentality, we would fall behind as third-rate countries," he said.

Asked if he intended to visit North Korea, Kim said he wouldn't go before a Seoul-Pyonyang summit without consent from both governments. If he went without consent it would only cause confusion and have a negative effect on unification, Kim said.

Kim said that he won't return to politics. "Three failures are enough. You will find out if I mean my word or not," he said.

Following his lecture, Kim met with former Secretary of State Henry Kissinger, and in the evening, he had dinner with Korean community leaders.

Kim will stay in New York until flying to Atlanta on Sunday [3 October] to meet with Former President Jimmy Carter.

Defense Ministry Reports SCM Meeting for Nov

SK0410031193 Seoul YONHAP in English 0234 GMT 4 Oct 93

[Text] Seoul, Oct. 4 (YONHAP)—The 25th Security Consultative Meeting (SCM) between South Korea and the United States will be in Seoul on Nov. 3-4, the Defense Ministry said in a report to the National Assembly on Monday.

The annual SCM meeting will discuss ways to jointly cope with security threats, the transfer of Operational

Control Authority (OCA) in South Korea, ways to solve North Korea's nuclear problem and security cooperation in the 21st century.

Especially, the time and method of OCA transfer will be discussed at the meeting, according to the report. Washington has already agreed to transfer peacetime OCA to Seoul, maintaining the current allied defense system.

Trade Talks With U.S. Scheduled for 14-16 Oct

SK0210003893 Seoul YONHAP in English 0018 GMT 2 Oct 93

[Text] Seoul, Oct. 2 (YONHAP)—South Korea and the United States will lock horns on wide range of trade issues this month from intellectual property rights to telecommunications markets, the Foreign Ministry said Saturday.

The second meeting of the Dialogue for Economic Cooperation (DEC), initiated by the presidents of the two countries, is slated for late October while the 15th bilateral trade sub-group meeting is scheduled for Oct. 14-16.

The two sides will primarily tackle intellectual property rights protection and U.S. automobile imports at the sub-group meeting.

They meet again Oct. 18-19 for telecommunications talks to discuss implementation of the terms agreed last year, when Korea increased the investment limit by American firms and promised to open its procurement market. The meetings will take place in Seoul, the ministry said.

Moscow Cancels Planned Fishery Meeting

SK0210041893 Seoul YONHAP in English 0304 GMT 2 Oct 93

[Text] Moscow, Oct. 2 (YONHAP)—A Korea-Russia fishery meeting set for early this month has virtually been cancelled by Russia because of the political turmoil in Moscow, dealing a blow to Korea's fishing in the Okhotsk Sea.

Russia sought indefinite postponement of the talks because of the political unrest. The meeting was to open in Seoul on Oct. 8 to discuss resumption of fishing in the Okhotsk and next year's quota for Korea.

Russia's fisheries commission said it would notify Seoul of a new date in about a month, but it is not certain whether the talks will ever take place in view of the persisting political confusion in Russia.

Fishing was banned in the Okhotsk early this year, and Korea in late August asked Russia for a 40,000-ton pollack quota with fees. No quota was agreed on, however. Korea refused the pollack fishing zone offered by Russia as economically unfeasible.

Late last month, Korea asked for an emergency paid quota of 20,000 tons of pollack in Russian economic waters near Okhotsk. It was known to have been rejected.

If Russia does not allow fishing in the Okhotsk in the near future, the Seoul government intends to fish in international waters there.

A source has told YONHAP that the pollack season ends at the end of October, that polish and some other fishing boats continue fishing in the area despite Russia's ban, and that international law upholds the principle of free fishing in international waters.

Korea needs about 500,000 tons of pollack a year, of which more than 200,000 tons come from the Okhotsk. Korea has suspended fishing in the Okhotsk since April because of the ban.

ROK-PRC Economic Cooperation To Be Discussed

SK0210091293 Seoul YONHAP in English 0605 GMT 2 Oct 93

[Text] Seoul, Oct. 2 (YONHAP)—The South Korea-China Committee on Economic, Trade and Technical Cooperation will meet in Seoul on Oct. 4-5, mainly to check on the status of bilateral and regional economic relations, the Foreign Ministry said Saturday.

Seoul is expected to seek a concrete way to participate in China's five-year new economic plan, the sale of South Korean telephone switching systems and wider access to Chinese automobile and other markets.

Committee members will address global topics such as the Uruguay Round, the Asia-Pacific Economic Cooperation (APEC) and China's membership in the General Agreement on Tariffs and Trade (GATT), the ministry said.

Son Chon-yong, an assistant foreign minister, leads the Seoul side while Liu Xiangdong, an assistant minister of foreign trade and economic cooperation, is his Chinese counterpart.

Korea recorded its first surplus in trade with China this year, landing 783 million U.S. dollars in the black for January-August. Last year it had a 1.07 billion-dollar deficit.

Study Team To Visit China

SK0510063893 Seoul YONHAP in English 0550 GMT 5 Oct 93

[Text] Seoul, Oct. 5 (YONHAP)—South Korea will soon send a combined government-private team to China to study a request for aid from the Economic Development and Cooperation Fund (EDCF), Foreign Ministry officials said Tuesday. A second team will be sent to seek wider access to China's automobile and telephone switching equipment markets.

When the two countries met in Seoul to discuss economic, trade and technology cooperation recently, they both tabled obstacles to smoother and greater trade relations. Beijing presented a list of eight projects totaling 112 million U.S. dollars for EDCF support and the study team will select which projects will get financing, the Ministry officials said.

China said that while it welcomed investment in the automobile parts industry, it was reluctant to have Seoul introduce new models of cars and preferred joint development of new models.

It also welcomed introduction of Korean telephone switching equipment to smaller, agricultural villages, the officials said, and the first team would look into these two areas.

Seoul's demands included a cut in tariffs, which run as high as 22.5 percent, and demolition of non-tariff barriers such as import restrictions and customs regulations. Korea asked to take part in exploring petroleum and marine resources in the Yellow Sea.

Chinese companies owe Korean exporters some 40 million dollars and Seoul asked Beijing to pay attention to the problem.

Beijing, in turn, asked Seoul to widen its imports of Chinese products, especially electronics, machinery and silk, and ease up in its application of adjustment and anti-dumping tariffs.

It recommended that big companies with advanced technological know-how invest in inland areas of China instead of small- and medium-sized firms, which tend to invest only in border regions with easier access, the officials said.

President Kim Presides Over Economic Meeting

SK0510055993 Seoul YONHAP in English 0513 GMT 5 Oct 93

[Text] Seoul, Oct. 5 (YONHAP)—President Kim Yong-sam said Tuesday that his administration will try and settle down the real-name financial system as soon as possible so that it can carry out future-oriented policies, especially in economic and social sectors.

Kim reaffirmed his policy direction as he presided over a meeting of 76 members of the New Economy Promotion Committee and other government officials, including Prime Minister Hwang In-song.

Kim acknowledged that government efforts to promote economic plans have become estranged.

"Recovery in capital investment by private industry has been unexpectedly delayed as the government has introduced such an important reform measure as the real-name financial system," Kim told the meeting at Chongwadae [presidential offices]. "But we have to carry out new economic plans actively from now on," Kim declared.

Investment by governmental organizations plays a big role in the nation's economy, Kim pointed out. But judging by recent management situations, it is being neglected or unable to escape from the past inertia.

The president instructed the deputy prime minister in charge of the economy to consult closely with other economic ministers to provide governmental investment organizations with plans for managerial reform.

"In order to reinvigorate the economy, changing the people's way of thinking is as important as systematic reform," Kim said, deploring what he said was the "collective egoism" prevailing in society. Causing pain to ordinary citizens because of such collective egoism is the "Korean disease of all Korean diseases," the president said. The government should try to mediate the conflicts of interest among groups, he added.

Kim said he expected the nation's trade balance to see a surplus for the first time in four years, but the government has to do its utmost to stabilize consumer prices since the harvest is expected to suffer because of the unusually cool summer.

Following the meeting, the president hosted a luncheon for Prime Minister Hwang and 29 other members of the New Economy Promotion Committee.

Describing the government's five-year economic plan as unique, Kim said that it should be modified and revised as the situation warrants.

Economic Growth Forecast at 4.5 Percent in 1993

SK0510031793 Seoul YONHAP in English 0244 GMT 5 Oct 93

[Text] Seoul, Oct. 5 (YONHAP)—Introduction of real names for all financial transactions and an abnormally cool summer will together lower economic growth and raise consumer prices the state-run Korea Development Institute (KDI) predicted on Tuesday.

KDI, in a report to the Economic Planning Board (EPB), forecasts economic growth in July-December of no more than 5.2 percent, compared with the 7 percent that the government expected earlier this year. As a result, the economy will expand 4.5 percent this year instead of 6 percent, KDI said.

It forecast consumer prices would rise 5.4 percent this year from 1992 because of an expected hike in prices of agricultural products caused by poor crops after abnormally low temperatures this summer. The government set the goal of keeping inflation under 5 percent at the beginning of this year.

"The real-name system caused a negative velocity shock in the domestic economy and temporarily reduced investments, thus lowering the economic growth rate," KDI researcher Cha Song-hui said.

The balance of payments is expected to go into the black for the first time since 1989. There could be a trade surplus of 2.1 billion dollars, but the current account will stay in the red to the extent of 100 million dollars because of the invisible trade deficit, the report said.

Private consumption expenditure will grow no more than 5.1 percent this year while investment in construction will rise 4 percent, and plant and equipment investment will fall 2.4 percent, according to the report.

The government think tank also predicted an economic growth rate next year of between 6.5 percent and 7.2 percent with inflation held between 5.4 percent and 5.6 percent.

Exports will rise 8.3-9.4 percent next year, compared to 6.6 percent expected this year, while imports grow 6.6 percent, up from 2.1 percent this year.

The institute predicted that the world economy will grow 1.2 percent this year and 2.6 percent next year, and world trade growth will be 5.5 percent next year, up from 2.7 percent this year.

Large Businesses Accelerate Overseas Activities

SK0510031593 Seoul YONHAP in English 0202 GMT 5 Oct 93

[Text] Seoul, Oct. 5 (YONHAP)—South Korea's giant business groups have put their overseas activities into high gear and they are advancing at full speed. Most say they have increased the number of locally incorporated manufacturing companies, expanded their overseas sales networks, and hired more staff to boost their overseas sales and to beef up production abroad.

Daewoo had 25 locally incorporated manufacturing companies at the end of September, six more than at the end of 1992, and had raised the number of its overseas sales outlets to 39 from 19. Local employees totaled 21,500, up 34.4 percent from December, and Korean employees assigned abroad grew 50 percent to 1,500.

Lucky-Goldstar had 33 locally incorporated manufacturing companies and 35 retail outlets abroad, up five and one, respectively, from last year. Goldstar had 450 expatriates, up from 420, and 1,700 local hires, up from 1,600, while Lucky-Goldstar had raised the number of its local employees to 300 from 290.

Samsung had 37 locally incorporated manufacturing companies, 13 research institutes, and 272 branch offices of Korean companies, the same as last year, but had raised the number of locally hired staff abroad to 20,000 and named some new branch managers.

Hyundai had 49 manufacturing and sales companies incorporated abroad, up from 44, 10 more expats for a total of 680, and 50 more local staff at 4,620.

Ssangyong had four factories abroad, up one from last year, and set up two more sales companies for 15. It has 236 foreign staff, up from 205, and 115 expats, up from 105.

It was mostly trading houses that made inroads overseas in the past, but now their electronic and automobile sister companies are also advancing into foreign markets.

Further on Disciplinary Action for Officials

SK0510013093 Seoul YONHAP in English 0024 GMT 5 Oct 93

[Text] Seoul, Oct. 5 (YONHAP)—A total of 3,188 government officials were fired, suspended from their jobs or disciplined for accepting bribes, embezzling public funds or other irregularities in the first half of this year.

The Prime Minister's Office said the number represented a big increase over previous years, reflecting the effects of President Kim Yong-sam's anti-corruption campaign.

An average 4,300 officials received such disciplinary action a year between 1989 and 1992. Compared with half-year statistics of the past, the figure represents an increase of more than 50 percent.

According to a report submitted by the Prime Minister's Office to the National Assembly Administration Committee on Monday [4 October], those who mismanaged their official duties topped the list with 942. They were followed by bribe-takers, 460; negligent officials, 294; embezzlers, 48; and others, 1,444.

A total of 2,577 public officials have been fired or disciplined since Feb. 25, when the Kim administration was inaugurated. It is about 80 percent of the total number of officials disciplined in the first half of this year.

The Home Ministry led the government agencies with the most officials disciplined with 1,265, followed by the National Police Administration, 993; the City of Seoul, 201; the Education Ministry, 139; the office of National Tax Administration, 114; and the Justice Ministry, 63.

By rank, officials of grade three and above accounted for 13, grades four and five, 259, and grade six, 2,830.

Teachers Union Members Apply for Reinstatement

SK0110093693 Seoul YONHAP in English 0053 GMT 1 Oct 93

[Text] Seoul, Oct. 1 (YONHAP)—A total of 87 members of the National Teachers Union, Chongyojo, had applied for reinstatement to their teaching posts and accepted the government's condition that they leave the union by the deadline Thursday, the Education Ministry said.

All of the applicants will be accepted.

The number accounts for 5.8 percent of the 1,490 teachers who were fired for their affiliation with the union, which has been declared illegal.

By region, Seoul had the most applying for reinstatement at 35, followed by Kyonggi Province, 21; Kwangju and South Cholla Province, seven each; Taegu, six; North Kyongsang Province, four; Cheju, two; and Pusan, Inchon, Taejon, and South Chungchong and North Cholla Provinces, one each.

There were no applications reported in Kangwon, South Kyongsang and North Chungchong Provinces, however.

Applicants will resume teaching on March 1 next year under the Ministry's new employment plan for the 1994 school year.

* Koreans Said Fearful of Sino-Japan Buildup

932C0206A Seoul MAL in Korean Aug 93 pp 90-95

[Article by History Professor Yang Pil-sung at Konguk University]

[Text] War swept over the Korean Peninsula three times in modern and contemporary history. China and Japan had showdowns on the Korean Peninsula, not on their lands, and each time the Korean people had to suffer from the calamity of war.

In 1592 the Korean Peninsula experienced the scourges of Japanese aggression. After demanding that Korea offer a transit passage for attack on China under the Ming dynasty, Hideyoshi Toyotomi of Japan ordered Japanese troops to invade Korea, thereby starting what is known in Korea as "Imjin Waeran" [Hideyoshi's invasion of Korea in 1952]. The faction-ridden Korean kingdom invited Chinese troops of Ming into Korea, and thereupon the Chinese entered the Korean Peninsula in the name of "assisting Korea and resisting Japan."

At the request of the Korean Government for a troop dispatch, Chinese and Japanese troops simultaneously landed on the Korean soil in the summer of 1894 and fought against each other. Driven to the wall and unable to suppress the rebellious peasant army that pressed for reform in those days, the ruling establishment in Korea rashly invited the foreign troops into Korea at the same time. The showdown between the two foreign forces ended in the unexpectedly easy victory of Japan as the Chinese army surrendered in Pyongyang and the Chinese navy surrendered in the Yellow Sea.

During the heat of the internecine war in Korea in 1950, U.S. forces stationed in Japan rushed to the Korean Peninsula. In the winter of that year China crossed the Yalu river shouting the slogan of "assisting Korea and resisting U.S. imperialism." During the Korean war Japan was not a direct belligerent, but indirectly participated in it by functioning as a logistic base for the U.S. forces. Nevertheless, the role Japan played in the war on the Korean Peninsula cannot be underestimated.

The three wars waged by the foreign troops on the Korean Peninsula in the past 500 years may be defined as Northeast Asian wars, involving Korea, China, and Japan. All these wars followed the same pattern in which the vulnerability of Korean society itself was the tinderbox, and the local conflagration escalated into a Northeast Asian war. The Korean Peninsula not only suffered as the primary victim of hostility but also had to groan for a long time in the state of the crippled as a consequence of the blows it received.

Historically, the Korean Peninsula was the heart of the Northeast Asian region, so to speak. When the heart stops, blood ceases to circulate and the body temperature drops suddenly. In the same token, unless peace is maintained on the Korean Peninsula, the storm of war is bound to sweep over Northeast Asia. In other words, peace and security in Northeast Asia depends on peace and security on the Korean Peninsula.

Few raise an objection to the view that the coming 21st century will be the age of the Pacific rim. Nor is there any objection to the claim that East Asia in particular will be at the center of this age. However, there are numerous factors that could make the Asia-Pacific age an uncertainty, and quite many of them are related to the Korean Peninsula.

The basis for the outlook that the North Atlantic era will end and the Asia-Pacific age will begin can be substantiated off-hand. Above all, the volume of trade between the Pacific shores has already surpassed the volume of trade between the Atlantic shores. In the new century, which is only seven years away, trade in the Asia-Pacific region is expected to account for more than half of the world trade.

Particularly the Northeast Asian region has demonstrated a marvelous economic staying power over the past 10 years. According to a World Bank report, in the 1980-1991 period the ROK recorded a 10 percent growth in the GNP, and China and Taiwan achieved a GNP growth rate of 9.4 percent and 8.5 percent, respectively. On the other hand, Japan's GNP growth rate in the same period was 4.3 percent. From the fact that in the same period the economic growth rate in the developing countries of the world was in the neighborhood of 3 percent, one can easily understand the immensity of the economic potential of the Northeast Asian region.

The rosy future is not too far off, but will soon become reality, which the people in Northeast Asia will witness in several years. We as a member of the Asia-Pacific community should join other members in celebrating this bright prospect. But history warns us that we should not be dizzy about sharing joy with our neighbors. The overriding reason is that an unprecedented situation is unfolding in the Northeast Asian region today.

First, let us go back to the late 16th century when Hideyoshi's invasion of Korea took place in 1592. The Ming dynasty in China was sliding downhill, and Korea was also losing its vigor. On the contrary only Japan was energetically in the process of building a unified national polity after freeing itself from the confusion of the centuries-old feudal system. Further down, in the late 19th century, the Qing dynasty was becoming listless, unable to cope with challenges at home and abroad; and the Yi dynasty on the Korean Peninsula met a far more miserable fate. On the contrary, Japan was quick to succeed in achieving a transformation and entered an age of territorial expansion.

Looking into the middle of the 20th century, we see that the same phenomenon repeated itself under a structure different from the past. The Korean Peninsula was divided and reduced to ashes, whereas Japan was suffering from the aftermath of World War II. China alone just became revitalized through a revolution and was able to fight against the United States, the most powerful country of the world.

However, the current three-power configuration is radically different from any in the past. In contrast to the past, all the three countries are on the rise, and particularly the matched game between China and Japan is expected to heat up in the future. The role and place of the ROK under these circumstances should be redefined. Before attempting to present directions in this redefining, let us first look into the situation surrounding the Korean Peninsula.

The country that has undergone the most radical change in Northeast Asia in the past 10 years is China. At one time China was ridiculed as a paper tiger, but it is now changing resplendently into a dragon flying skyward, not just a tiger awakened from its slumber.

According to the new way of calculation adopted by the International Monetary Fund [IMF's], China now ranks third in terms of economic strength. GNP as the purchasing power calculated in the local currency rather than in the dollar value. China ranked 10th when the old measurement was used, but now it jumped to the third place under the new method. Many economists view this new evaluation method as more appropriate.

Not only has China become better off but also much more stronger. In the past 10 years or more China maintained its defense budget at an annual level of about $14 billion. As a result, the People's Liberation Army [PLA] has become one of the world's most powerful Armed Forces. The PLA's troop strength exceeds 3 million strong, and it possesses a considerable number of modern hardware, including many intercontinental ballistic missiles [IBM's].

China, now richer and stronger, is clearly demonstrating its determination to regain its international stature based on the order in which China lies at the center of the universe, by recovering from the humiliation as an old semi-colony and from the isolation as a closed socialist state. Despite the categoric denial of hegemonism, the Chinese leaders are gradually unravelling their inclination toward making china stand supreme in the world arena, particularly in East Asia, through their "idea of zhonghua," the idea that China should become, not just a superpower, but the sole center of the integrated universal order of the world.

In the age of socialism, as in the age of autocratic kingdom, hopes of reestablishsing the China-centered order naturally develops into territorial ambition. Recently this trend clearly manifested itself in dealing with the Nansha Islands. Until now China, Vietnam, and other neighboring countries all have made territorial claims on this island chain in the South China Sea. Early last year China suddenly set up border markers at a point within 650 kilometers of the Vietnamese coast indicating the Nansha Islands belong to China.

Interestingly, Vietnam, a socialist state, was China's close ally when the Soviet Union collapsed, as if practicing the proverb that "Misery makes strange bedfellows." But the ambition for territorial expansion had the upper hand of the ideological fellowship. China had a naval skirmish with Vietnam in 1988. At that time the situation was different from 10 years before, and China was in a position to "teach a lesson" to Vietnam. Viewed in Chinese perspective, this signifies a restructuring into the zhonghua-oriented order.

Earlier Japan attempted to realize the Japan-centered so-called "Greater East Asia Co-Prosperity sphere." Although the Japanese themselves have not yet completely forgotten their nightmares of World War II, signs are appearing in Southeast Asia that the specter of the Greater East Asia Co-Prosperity Sphere, which is associated so closely with the unfortunate past, is raising its head again.

Japan is offering the largest amount of foreign aid ($11 billion in 1991) in a manner fitting to the country that has the world's second largest economy. Through this so-called "cheque diplomacy," Japan is exercising influence over the international community. A most extreme case of "cheque diplomacy" took place during the Gulf War. Under the pressure of the United States and other countries, Japan provided a total of $13 billion in war expense. As far as the United States was concerned, even this contribution was something like an unwilling and belated "donation to get enrolled in college."

However, with the Gulf War as a momentum, new controversies arose in Japan and the United States. The controversies were over the questions: Should Japan continue to follow U.S. leadership blindly? and Should Japan's role stop at issuing checks?

In fact, in those days Japan was already in possession of a strong military strength. Japan ranked 24th in the world in terms of military strength, with its troops numbering 240,000 strong. As of the end of 1991, Japan's defense spending reached a whopping $16.5 billion. This dwarfs Korea's military spending of 6.4 billion.

At any rate Japan has achieved the status of a wealthy and militarily strong nation, and it has become clear that from now on Japan will take a more positive stance in the international community, doing away with its passiveness in the past. Under these circumstances, Japan has shown two important moves. The first move was the dispatch of a 683-strong contingent of the Japanese Self-Defence Force [JSDF] to Cambodia as part of the U.S. peacekeeping operation [PKO]. The other was Japanese Emperor Akihito's visit to China almost at the same time.

Is it safe to view these two developments as signs showing that Japan is bent upon creating a Greater Asia Co-Prosperity sphere? Viewed in long-range perspective, there is ample room for such possibility partly because Japanese carries so much weight in the contemporary world economy and because the situation in East Asia is taking an alarming turn.

Recently, a brisk discussion is under way about creating a "yen bloc," a regional economic community dominated by the yen, the Japanese currency. This is an idea that the yen should be the common currency used in trade among Asian countries just as the German mark is used in the EC and the dollar in North and South Americas. Obviously, the formation of a "yen bloc" will ultimately have the effect of further increasing the dependence of Asian countries on the Japanese economy. This idea is still in a conceptual stage. But should the North American continent or Western Europe step up the closed nature of their regional economies, chances of realizing a "yen bloc" will increase a great deal; and this will entail the formation of a Japan-centered sphere of political influence.

On the other hand, the militarization of East Asia proceeds apace with the military reinforcement in China and other Asian countries, adding spurs to the remilitarization of Japan. East Asia has already turned into the largest arms import market in the world; and competition for greater defense spending is under way among countries in this region. Obviously, someday Japan will embark upon a full-dress rearmament under the pretext that there is no alternative left. To make matters worse, nationalism will become more active on a global scale in the 21st century, and the anti-Japanese sentiment will surge in Asia, where the bitter experience under Japanese domination is still alive in the memories of the people.

This contingency reminds us of the course of Japan's Japanese territorial expansion in the 1930's. On the eve of the outbreak of the full-scale world war, anti-Japanese sentiments were widespread in Asia, including China, and racial discrimination against the Japanese intensified in the United States and other countries. The idea of something like self-defense was aroused among the ordinary Japanese as a consequence, and the Rightists took advantage of this feeling in gratifying their thirst for territorial expansion and finally plunged into their reckless adventure to create the so-called Greater Asia Co-Prosperity Sphere."

Only recently people in those countries where U.S. forces were stationed demanded, "Yankees, go home." The Americans themselves wish to pack up and "go home." Needless to say, the illusion of "America Number One" is still at work, and the Northeast Asian region remains very important for the national interests of the United States. That is why apparently, the Yankees are hesitant to go home.

Against this backdrop, President Clinton visited Seoul for a one-night, two-day trip. During his election campaign against then incumbent President Bush, who acquitted himself well of his foreign policy, including in the execution of the Gulf War, Clinton advocated isolationism for the United States by calling for giving priority to the economy. In fact, historically, the Untied States swung between isolationism and expansionism just like the pendulum of a clock. Clinton was elected president by riding the surging current of isolationism against this background.

But a few words he spat out in his remarks while in Seoul give the impression that he sticks to expansionism rather than isolationism. By withholding the withdrawal of U.S. troops and expressing a tough stand on the issue of North Korea's nuclear development, he reminded us of Reagan or Bush, his predecessors. But Clinton's Seoul visit portends neither return to expansionism nor a complete abandonment of America's inclination for voluntary disengagement. Because of the annual $300 billion trade deficit and the power vacuum created by the end of the cold war, Asia is, for the United States, something that it hesitates to give up even though it is of little interest.

However, the importance of the United States in East Asia will gradually diminish in the coming century for the following two reasons: The first reason is that the trend toward isolationism is expected to accelerate. Viewed in historical perspective, what makes the United States inherently different from the country like Great Britain, which once enjoyed the world hegemony, is the fact that United States can maintain its superior position to a certain degree even when it stands alone. The United States has, above all, its expansive land mass and inexhaustible resources. This peculiarity is often quoted as a factor that enabled U.S. capitalism to walk a different path than that travelled by West European capitalism.

The other reason is that with the dependence on the United States noticeably diminishing among Northeast

Asian countries, the role and importance of "Uncle Sam" will gradually decrease. First, in the economic sphere, the percentage of Asia's U.S. exports to Asia's total volume of exports decreased from 34.1 percent to 24.2 percent in the 1986-1991 period wheres the percentage of multilateral exports among Asian countries, including Japan, to their total volume of exports jumped to 42.6 percent from 30.9 percent in the same period. It is against this backdrop that Malaysia has advocated the creation of "the East Asian Economic Council," which does not include the United States.

Of its own to a degree, and partly by being shoved by their old friends, the "Yankees" are about to depart for "home." But the United States has not made up its mind, and the decision is still pending. The choice the United States has made so far under these circumstances is to strengthen security cooperation among the parties in this region under its leadership. From this standpoint, Clinton during his Seoul trip once again strongly called for the establishment of a multilateral security cooperation system among countries in the Asia-Pacific region.

His proposal was a necessary choice. His administration has already embarked upon the task of reducing defense spending by a total of $124 billion in the next five years. The United States makes the governments of the host countries share the cost of maintaining U.S. forces stationed on their soil. But it does not totally depend on the beneficiaries for coverage of the entire cost of stationing its forces. For instance, Japan just covers 75 percent of the cost of maintaining U.S. forces (not including personnel expenses). From the point of view of the United States—which is well aware that to maintain the number one position, it has to pay the cost of maintaining its dignity as such—collective security among Asian countries is really the best hope it can have.

People in our country still have the custom of disliking the numeral "4" because it has the same sound as the word for death—both sound "sa" in Korean. If a fourth Northeast Asian war should break out, and that on the Korean Peninsula, as in the past, not only our people but also the whole of Northeast Asia would be faced with the danger of a simultaneous annihilation, maybe under the spell of the bad luck charm of the numeral "4."

There are so many seeds of dispute in Northeast Asia that one foreign expert on Northeast Asia said that "I would not like to live in Asia around the year 2000." Worse still, nuclear weapons and many other dreadful modern weapons are deployed in the areas surrounding the Korean Peninsula. First, China has ICBM's with a range of 15,000 kilometers, in addition to nuclear weapons; and Russia and other former republics of the Soviet Union also have nuclear weapons in their hands. Japan has the potential of using nuclear weapons and is vaunting that it would not remain indifferent "if the Korean Peninsula should have its own nuclear weapons."

North Korea is either in the midst of developing nuclear weapons, or at least it has a clear intention of developing them. What makes the United States and Japan particularly jittery is the fact that North Korea has already developed "Nodong-1," a long-range missile capable of unleashing a nuclear attack on a target 1,000 kilometers away. If North Korea possesses nuclear weapons and should be ready to use them, Japan as well as Korea would come within the range of these weapons. That is not all. The United States and other countries are very much afraid of the possibility that a financially destitute North Korea will sell its nuclear weapons to their enemies.

Countries around the Korean Peninsula are dashing toward the 21st century, the era of fear. If a fourth Northeast Asian war should break out, there would be no other consequence but common destruction. This danger not only persists, but is increasing daily even at this moment, in this post-cold war era.

In addition, Japan and China are expected to become unprecedentedly powerful at the same time in the 21st century, and this will usher in an age of uncertainty. China and Japan never became simultaneously strong, neither in the late 16th century, nor in the late 19th century, nor in the mid-20th century. What would be the consequence of a "strong Japan" and a "strong China"?

History clearly shows that security in the Northeast Asian region depends on security on the Korean Peninsula. It also teaches that division inside the society on the Korean Peninsula was always the seed of a Northeast Asian war. Therefore, at this juncture when a new world order is emerging in the wake of the end of the cold war, China, Japan, and other interested countries around the Korean Peninsula should never be satisfied at maintaining the status quo on the Korean Peninsula, but make more positive efforts to remove the seeds of dispute on the Korean Peninsula.

More than anything else they should actively help to bring the division of Korea, a product of the cold war, to an end through concrete and practical methods. In the cold war era, the division itself could serve as a means for maintaining the stability of the region as a whole; but balance through confrontation has now lost its old function, and there is a great possibility that it will rather escalate the internal feud inside the Korean Peninsula, eventually leading Northeast Asia to the brink of simultaneous ruin. China and Japan should make more concrete and practical efforts to end the division of Korea than the United States should, not only because China and Japan themselves could become injured parties of a fourth Northeast Asian war but also because they have the capability of creating a new mechanism [for security in Korea]. New tasks for the new century demand cooperative relations among different regions as a more urgent requirement. For instance, if there is no regional cooperation on environmental issues in which the polluters and the victims of pollution could be different, it would leave ample room for a violent confrontation to precipitate between Korea, China, and Japan. At the same time, no one can rule out the possibility of common destruction over pollution issues if countries in the region fail to take speedy and proper countermeasures.

In the final analysis, as the sense of crisis over the danger of war spreads, the importance and role of Korea will increase under the new order in Northeast Asia.

Burma

Foreign Minister Leaves for UN General Assembly

BK0210141693 Rangoon Radio Burma in Burmese 1330 GMT 2 Oct 93

[Text] Foreign Affairs Minister U Ohn Gyaw, leader of the Myanmar [Burmese] delegation, left Yangon [Rangoon] by air this morning to attend the 48th UN General Assembly, which has been underway in New York since 21 September. The minister was seen off at Yangon airport by Lieutenant General Tin U, secretary-2 of the State Law and Order Restoration Council; Lt. Gen. Chit Swe, minister of forestry affairs; Brigadier General Maung Maung, minister of livestock breeding and fisheries; Deputy Foreign Affairs Minister U Nyunt Swe; Mr. (Nobotaki Udano), charge d'affaires of the Japanese Embassy; Mr. Jehan Raheem, resident representative of the UN Development Program; and responsible personnel from the Ministry of Foreign Affairs.

SLORC 'Close' To Signing Cease-Fire With Kachins

BK0410142393 Hong Kong AFP in English 1419 GMT 4 Oct 93

[Text] RANGOON, Oct 4 (AFP)—Burma is close to signing a ceasefire with the Kachin Independence Army (KIA) in the north of the country, a military spokesman said here Monday, following a high level meeting. The spokesman said the meeting was the "next to the last step" before a formal agreement on a ceasefire is reached.

"All the ground-work for the peace agreement has already been laid down and the only formality which now remains is an official meeting with Kachin Independence Council (KIC) chairman Breng Seng and our side," spokesman Lieutenant Colonel Kyaw Thein said. The KIC is the the administrative umbrella of the Kachin Independence Organization (KIO) and the KIA, the political and military wings respectively. Breng Seng is also chairman of the KIO.

The breakthrough in the peace talks between the ruling junta and the KIA, which began in January, came during the meeting at Myitkyina in Kachin State on October 1 between KIA military chief, Major General Zaw Maing, and the junta's military intelligence chief Lieutenant General Khin Nyunt, the spokesman said.

Kyaw Thein said all the conditions set by the military for the ceasefire agreement had been met by the KIA leadership, adding the last step, which he described as "a mere formality," would be completed "before the end of November."

He did not specify, however, what the conditions were. The last known peace talks with the KIA in 1980 fell through. Analysts here have described the latest successful peace talks, which will end three decades of KIA insurgency, as a huge feather in the military's cap.

Since taking over power in 1988, nine other insurgent groups have responded to the government's call for national solidarity and have since joined hands with the government in striving for regional development as well as the eradication of opium. All of them have been represented at the national convention aimed at drafting a new state constitution which would turn the nation of 43 million with its diverse ethnic groups into a democracy.

Khin Nyunt said during the October 1 meeting that it was an example of how peace could be achieved through sincere and frank discussions.

KIA military chief Zaw Mai said the direct contacts had removed existing misunderstandings.

Kyaw Thein said told AFP that the military and the KIA had maintained a ceasefire since December of last year. He went on to reveal that although there were still no direct contacts with independent Burma's oldest insurgency, the Karen National Union (KNU), active in southeastern Burma, feelers have been extended.

"While hard-liners like Bo Mya continue to resist, the younger generation are keen for peace talks," he said, adding there were definite signs of a big split between the hardliners and the younger set within the KNU. Analysts here believe it is only a matter of time before other groups also decide in favour of peace talks.

The Burmese military, which has been fighting against ethnic-based insurgencies since the country gained independence from Britain in 1948, declared a unilateral ceasefire in April 1992.

The military insisted the move was made from a position of strength at a time when the insurgencies were at their weakest. Since then it has been consistently inviting insurgent groups to discard their armed struggle and work with the government.

Karens Ready To Relax Stance on Talks With SLORC

BK0410143993 London BBC in Burmese to Burma 1345 GMT 4 Oct 93

[Text] The leaders of the largest ethnic minority group, the Karen, which has rebelled against the Burmese Government for over 40 years, are trying again to hold peace talks on the prolonged civil war. According to Dr. M. Martha, foreign affairs liaison officer of the KNU [Karen National Union], the KNU has made a second overture for talks with the Burmese Government. Like the first offer made last April, it was not acknowledged.

On Sunday, the Burmese military government announced that a cease-fire agreement has been reached with the Kachin, another minority group. Neil Kelly's dispatch from Bangkok says: Previously, the Karen had demanded that negotiations and peace talks be held in a third country, that all political prisoners be released prior to the talks, and all ethnic groups participate in the negotiations. Now, it seems that the Karen are ready to relax these demands. The Karen leaders are also saying that these conditions are negotiable. Moreover, the authorities in Rangoon have also hinted that talks should be held in Myawaddy, a border town near Thailand. For months, Thailand has been urging the Karen to make peace with the SLORC [State Law and Order Restoration Council], as the other five ethnic minority groups are doing. The agreement between the Kachin and the SLORC was reached three months ago.

According to Neil Kelly, the Kachins are still in control of their areas, though it is not as vast as a few years ago. They also have their own armed units and are engaged in border trade with China.

Karen Official on Question of Talks With SLORC

BK0510070393 London BBC in Burmese to Burma 1345 GMT 4 Oct 93

["BBC telephone interview" with Dr. Martha, foreign affairs liaison officer of the Karen National Union, KNU, by an unidentified reporter "a few minutes ago"; place not given—recorded]

[Text] [Reporter] Dr. Martha, foreign affairs Liaison officer of the KNU, replied as follows when asked about the prospects of holding talks with the State Law and Order Restoration Council [SLORC]:

[Martha] As the civil war has been going on for over 45 years, we would genuiunely like to work for peace. In seeking peace, the political solution to the political problem must be sought. In accordance with this principle, the chairman of the Democratic Alliance of Burma [DAB] wrote twice to the chairman of the SLORC, General Than Shwe—once on 23 April and on 17 August.

As we have had no response so far, we have a problem with how to proceed with the matter.

[Reporter] Does the DAB intend to make concessions on its original conditions for talks with the SLORC?

[Martha] Our Burma is a country where many national races, including the Burmese, reside. Therefore, the Karen organization alone cannot achieve peace by holding talks with the SLORC. To answer this question frankly, our KNU is currently holding a central committee meeting and its agenda on Wednesday included the issue of holding talks with the SLORC. I was present at the meeting. The resolution was passed that the KNU would maintain its stance according to the DAB policy. That is, we maintain the conditions we have demanded in the past. However, if the SLORC officially replies and states what conditions they accept and what conditions they do not accept, we can reconsider our conditions. The problem at the moment is that they said they could not accept ours. Even if they cannot accept, if they only send us a reply listing their conditions, then we can consider it within the DAB.

[Reporter] We have learned that the Kachin organization [Kachin Independence Organization, KIO] has accepted the cease-fire agreement with the SLORC. How does the DAB view this matter?

[Martha] According to the information we received, it is true that the KIO and the SLORC indeed held talks. However, we learned that they have not signed a definite agreement, according to our [KIO] allies. They have not yet signed a cease-fire agreement. During a banquet speech, Major General Khin Nyunt expressed his pleasure at attending talks for a cease-fire. That reference perhaps led to the conclusion that an agreement had been signed between the two sides. According to our KIO allies, no agreement has been signed yet.

[Reporter] If the KIO has signed the agreement, what would the situation be?

[Martha] If the KIO has signed the agreement... [changes thought] We do not believe the KIO has signed the agreement because the KIO has told us categorically and pledged that they would not sign an agreement if it does not serve the common interests. To directly answer your question, if they have indeed signed the agreement... When the Karen National Organization started working for Karen affairs at its inception in 1949, there was no organization such as the KIO. In fighting over the last 46 years, the enemy has had superior weapons and (?manpower) compared to us. They still are superior to us. What we want to say is that even without the KIO, the KNU and the rest of the allied organizations will continue to and strive to wage the revolution.

We will strive to fight for equality and self-determination. Nationalism cannot be suppressed or eradicated.

Sein Win on Dismissal of Foreign Minister

BK3009090193 Oslo Democratic Voice of Burma in Burmese 1430 29 Sep 93

[Democratic Voice of Burma, DVB, interview with Prime Minister Sein Win of the National Coalition Government of Union of Burma during his "recent visit" to Oslo, Norway—recorded]

[Excerpts] [DVB] Prime Minister Dr. Sein Win, may we have your assessment of the current political and economic situation in Burma?

[Dr. Sein Win] The current economic situation in Burma is very grave. Prices are exorbitant and there is a wide gap between the rich and the rest of the people in the country. So, to achieve genuine progress for the country, there must be political stability, public involvement, and freedom of expression and work. These are indispensible conditions.

A political review of the country shows the SLORC [State Law and Order Restoration Council] has been unable to solve the various problems in Burma during the last five years. If they go on at the present rate, the situation will worsen. They will not be able to solve Burma's problems so long as the outcome of the 1990 elections is not implemented and the leaders of the National League for Democracy—U Tin U, Daw Aung San Suu Kyi and U Kyi Maung—are not released and talks held with them and the National Democratic Front leaders. [passage omitted on ASEAN policy of constructive engagement, foreign companies, and national races]

[DVB] Regarding the removal of U Peter Limbin as foreign minister of the National Coalition Government of the Union of Burma [NGCUB], there is speculation outside that there are factions and differences of opinion within the NGCUB over the issue. Is it true?

[Dr. Sein Win] We have a firm reason for removing U Peter Limbin from office. Allegations of factionalism and division within the NGCUB are mere exaggeration. It is natural to have differences of opinion in politics. We cannot describe it as division. [passage omitted on goal of democracy]

Karen Insurgents Reportedly Surrender 14 Sep

BK2909145993 Rangoon Radio Burma in Burmese 1330 GMT 29 Sep 93

[Text] Terrorist insurgents, who have come to accept the genuine goodwill and activities carried out by the State Law and Order Restoration Council, after realizing the truth, have been surrendering to authorities. On 14 September, in the Southeastern Military Command region, Privates Hla Tun, Myint Thein, and Tin Tun from the Kyaw Din faction, 2d Company, 16th Battalion of the Karen insurgent organization, surrendered bringing with them two AK-47 assault rifles and one BA-64 assault rifle at Pa-auk Garrison.

Total of 38,025 Rohingyas Said Repatriated

BK2809151193 Rangoon Radio Burma in Burmese 1330 GMT 28 Sep 93

[Text] In accordance with the coordinated agreement reached between the two countries on the repatriation of those who illegally left Myanmar [Burma] for Bangladesh, a delegation led by Camp Supervisor Mr. (Makdu Basid) from the country on the other side transferred 410 returnees—203 males and 207 females—from 91 households to our Kanyinchaung reception center at 1030 on 25 September.

Since the repatriation began on 22 September 1992, a total of 38,025 persons, including 18,589 males and 19,436 females who illegally left the country, from 8,526 households had been accepted as of 25 September 1993.

Brunei, Malaysia & Singapore

Malaysia

Mahathir Says Western Media Spreads 'Lies'

BK0210105593 Kuala Lumpur BERNAMA in English 0953 GMT 2 Oct 93

[Text] United Nations, Oct. 2 (OANA/BERNAMA)—The international media came in for some good drubbing here Friday by Malaysian Prime Minister Dr Mahathir Mohamed who accused irresponsible Western media of spreading damaging lies. Describing them as the controlled 'free' Western media, he said, the people who controlled the media controlled people's minds and, probably controlled the world.

The prime minister's devotion to the international media [words indistinct] paragraphs in his 56-paragraph speech—was unprecedented, especially in the context of the UN where most leaders normally voiced concern about world politics. His attention to the international media even surpassed his two- paragraph reference to the peace accord signed between the Palestine Liberation Organisation (PLO) and Israel. He told the 48th UN General Assembly: What we see and hear and witness...is what the media decide we should see and witness.

Through the media...we can also see Michael Jackson doing his moon-walk even as mass murder and massacres of the most brutal kinds were being committed at that very moment, he said. He believed that the powerful world media was controlled by a very few people in the West whom he described collectively as big brothers.

Interestingly, Dr Mahathir had a meting with media magnate Rupert Murdoch at his hotel suite Thursday.

At a press conference for his Malaysian journalists following the meeting, he said that he expressed his objection to Murdoch for having so much of the press under his control that its not healthy. He added: He said that he would take heed of our views and he'll try not to be bias. So, although I spoke with Mr Murdoch quite nicely, it doesn't mean that I mustn't say nasty things about him. What he does to me, I will do to him.

In his speech, he said Malaysia would continue to speak out against powerful nations which do wrong because we dare speak our minds. He added: Here at the UN, we will say what we feel we should say. Of course, the controlled free Western media will not publish it. In any case, it is what we achieve that counts with us. We can do wihout Western approval.

Commentary Praises Mahathir's UN Address

BK0410114793 Kuala Lumpur Voice of Malaysia in English 0800 GMT 4 Oct 93

[Station commentary]

[Text] Malaysian Prime Minister Dr. Mahathir addressed the UN General Assembly in New York on Friday last week. He spoke with his characteristic frankness and its entire speech with his thought-provoking issues [as heard]. He began by welcoming the six countries that are the latest to gain admission into the UN. His address covered a wide-range of international items. It was not a planned taking-note-of-problems. There were positive suggestions for new methods and new processes of promoting greater international cooperation.

There is no doubt that Dr. Mahathir's views will lead to fresh thinking on many matters. The Malaysian prime minister drew attention to certain inherent weaknesses in the structure of the UN. In particular, he criticized the veto provision.

The power granted to the five permanent members of the Security Council to use a veto needs to be revised, and if possible, abolished. This is an issue on which many political observers have expressed identical views. The veto was included by the founding partners of the UN in the Charter which they drafted. It was meant to be used with due care and attention in the interests of world peace and security. Unfortunately, the nation states that have the veto authority have used it to gain their own ends on many ocassions. No doubt the Cold War has ended, yet it is by no means certain that the veto will be utilized with responsibility. The UN, according to the prime minister, is supposedly democratic. Yet the UN is not abiding by the accepted traditions of decisionmaking. Decisions have to be reached by the method of majority votes. At most, some weightage can be given, but not the present type of weightage for each and every permanent member. It is to be hoped that the UN Charter will be examined as soon as possible. For that, a representative group of action must start work on this vital topic.

The prime minister drew attention to the power exercised by the media, saying bulk of the media network, which are controlled by a few firms, cannot be ignored. His fears about the possible harm that could be done through the international TV network will be echoed by many other leaders. Therefore, Dr. Mahathir has set the UN members thinking not only about the present but about the emerging trends as well. He has assured the world community of Malaysia's full support for a stronger and reformed United Nations.

Minister Says Development Funds Show Decline

BK0510051693 Kuala Lumpur BERNAMA in English 0350 GMT 5 Oct 93

[From Salmy Hashim]

[Text] Washington, Oct. 5 (OANA-BERNAMA)—Malaysia Monday expressed its concern over the declining level of official assistance extended to global development activities. Foreign Minister Abdullah Ahmad Badawi said in New York that while pledges for United Nations Development Programme (UNDP) activities were on the decline, the peacekeeping budget had increased (?substantially) by almost four times more than operational development activities.

This trend must be arrested and reversed. Concerns over securty issues should not be at the expense of development activiies of the United Nations, he said at the meeting of ministers of foreign affairs and heads of delegation of the Nonaligned Movement (NAM). The agenda for development must address this issue in a comprehensive manner, he stressed. He pointed out that no amount of money and resources for peacekeeping could bring about peace and stability if there was no development.

As one of the regular participants in UN peacekeeping activities, Malaysia welcomed efforts and initiatives to streamline the UN peacekeeping role and objectives, he said. He added fundamental questions relating to doctrine [words indistinct].

Deputy Prime Minister Leaves for DPRK 4 Oct

BK0410053493 Kuala Lumpur BERNAMA in English 0350 GMT 4 Oct 93

[Text] Kuala Lumpur, Oct 4 (OANA-BERNAMA)—Malaysian Deputy Prime Minister Ghafar Baba left here Monday for a seven-day visit to North Korea. Ghafar is leading an eight-man delegation, which includes businessmen, to visit the country at the invitation of the North Korean Government. He is accompanied by his wife. The visit was to promote bilateral ties between the two countries, especially in trade.

Official Views Arms Buildup in Post-Cold War Era

BK0110143193 Kuala Lumpur NEW STRAITS TIMES in English 30 Sep 93 p 11

[Text] Kuala Lumpur, Wed [29 September]—Nations are maintaining or boosting their defence despite the end of the superpower rivalry because of the emergence of long standing ethnic, religious and territorial rivalries.

Assistant chief of defence planning at the Malaysian Armed Forces Headquarters Brigadier General Abdul Ghani Yunos said today it was true that the world was now enjoying the peace dividend with the end of the superpower rivalries. However, uncertainties, instability and challenges had emerged, linked to long standing ethnic, religious and territorial rivalries, he said.

This had forced some nations not to cut down on their defence budgets and to continue maintaining their effective defensive and offensive military capabilities.

Abdul Ghani said this in his paper "Malaysian Armed Forces and Vision 2020" at a seminar organized by the Malaysian Strategic Research Center (MSRC) and the Malaysian International Affairs Forum (MIAF) at the Ming Court Hotel here. Abdul Ghani also said the country would be self-sufficient in the production of certain types of defence equipment by the year 2020.

These are the manufacture of small and large calibre ammunitions, basic firearms, artillery guns, military vehicles, communication equipment, pyrotechnics and missiles system.

"Beyond the year 2020, Malaysia should be able to develop the capability to manufacture aeroplanes, helicopters and warships."

Speaking on Malaysia's commitment to the Non-Aligned Movement (NAM) and Asean's Zone of Peace, Freedom, and Neutrality (Zopfan), Defence Ministry Under-Secretary for Policy Division Siti Azizah Abod said it should not deter the country from forging close defence cooperation with Western powers.

Commentary Views 'Excellent' Ties With Singapore

BK0510103593 Kuala Lumpur Voice of Malaysia in English 0800 GMT 5 Oct 93

[Station Commentary]

[Text] The first visit to Malaysia by Singapore President Ong Teng Cheong marked a further step in boosting the excellent ties between Malaysia and Singapore. Despite having gone separate ways in 1963, both countries have always looked forward to the future with confidence and optimism. This is based on the strong relationship which has stood the test of time. Ingredients for this has been the strong political leadership, internal peace, and stability in both countries. Another vital reason for the strong bond is that the leaders of Malaysia and Singapore are men of caliber, reason, and wisdom.

But in the conduct of bilateral relations now and the future, both countries cannot expect everything to be easy and smooth sailing. It cannot be denied that there will always be some discordant voices and irresponsible actions on both sides of the causeway from time to time. Such discontent will not be in the line with the general policy—directions—of both the Malaysian and Singaporean Governments. Too much attention must not be paid to these grouses, for they are only voices in the wilderness.

Things will get worse if one were to get too uptight and sensationalize them. Experience has shown that Malaysia and Singapore have got more than what it takes to surmount any problem, let alone irritant. This has enable both countries to address clearly, frankly, and without sensitivity longstanding bilateral issues and resolve them amicably.

Prime Minister Datuk Sri Dr. Mahathir's foresightedness and wisdom has made things so much easier for a smooth bilateral ties. His leadership had made it possible for Singapore to gain directly and individually with Malaysian states, especially in economic cooperation.

Singapore Prime Minister Goh Chok Tong is also advocating that his country establish as many linkages as possible with the region and beyond. The economic policies of both countries are geared towards achieving the common objective of becoming developed nations. Malaysia has set the year 2020, while Singapore has picked the year 2000. At the same time the economies of both countries were now complementary and the healthy competitive element would do good to both countries. New opportunities have been generated for Malaysia and Singapore to cooperate, not only on a bilateral basis but also jointly on a regional basis. Their close ties are even more vital in the context of ASEAN.

As the region moves towards the single free market by the year 2008, more joint ventures between Singaporeans and Malaysians will accelerate further the attainment of this goal. By working together through joint ventures, they will be able to explore a much larger market for mutual benefit, such as in the emerging China market.

The spirit of cooperation between Malaysia and Singapore has also been manifested through ASEAN consensus for the East Asia Economic Caucus [EAEC]. Singapore was the first country to find merit in the EAEC, mooted by Malaysia, and which later openly supported it.

Despite the success so far, both countries have always continued to strive towards maintaining a cooperative relationship for mutual benefit.

Joint Military Exercise With Indonesia Begins

BK0210075493 Kuala Lumpur UTUSAN MALAYSIA in Malay 21 Sep 93 p 5

[Text] Kuala Lumpur, 20 September—Malaysian and Indonesian Army personnel today began a six-day joint military exercise in several areas in Perak state. According to a statement jointly issued by the two sides, the exercise, codenamed Kekar Malindo 22B/93, was under way in the Tanjung Rambutan, Chemor, Sungai Siput, and Lintang areas.

The Malaysian Army personnel consist of members of the 25th battalion of the Royal Malay Regiment along with combat and service units from the 2d and 4th Divisions, while the Indonesian troops are from the 6/2 Infantry Brigade of KOSTRAD [Indonesian Army Strategic Command]. The joint exercise, opened by Army Chief General Tan Sri Burhan Ahmad at the Tapah camp in Perak, is under the supervision of the Ipoh-based Malaysia's 2d Infantry Brigade. The Indonesian troops arrived aboard a transport plane at Ipoh's Sultan Azlan Shah Airport two days ago.

The Kekar Malindo exercise is an annual exercise with the venue alternating between the two countries. The exercise, aimed at maintaining and upgrading the skills of the two armies, has been held under the auspices of the Malaysia-Indonesia Joint General Border Committee since 1979.

December Enforcement for Ozone Regulation

BK0210054493 Kuala Lumpur BERNAMA in English 0320 GMT 2 Oct 93

[Text] Kuala Lumpur, Oct 2 (OANA—BERNAMA)—Malaysia is to enforce the amendment to the Montreal Protocol on the use of ozone depleting substances (ODS) on 13 December, director general of the Department of Environment (DOE) Dr. Abu Bakar Jaafar said Friday. He said the government had taken steps to reduce and eventually phase out the use of ODS as stated in the protocol.

Malaysia's Permanent Representative to the United Nations Razali Ismail conveyed Malaysia's decision on the protocol to the United Nations on [words indistinct] amendment to the Montreal Protocol in Copenhagen in November last year in the deadline to bring about a total ban of the production and the consumption of these ozone-depleting substances was by 1996, Dr. Abu Bakar added. He said with the enforcement of the amendment, industries using ODS such as chlorofluorocarbons and halon gas have to adhere to conditions stipulated in the protocol.

Control over the use of ODS would then be subject to strict import regulations made by the Ministry of International Trade and Industry (MITI).

Singapore

Vietnam's Do Muoi Arrives for Four-Day Visit

BK0510113893 Singapore Singapore Broadcasting Corporation in English 1100 GMT 5 Oct 93

[Text] The general secretary of the Vietnamese Communist Party, Mr Do Muoi, arrived in Singapore today for a four-day visit. He was given a ceremonial welcome at the Istana [palace] where he was received by Prime Minister Goh Chok Tong. Mr Do Muoi also called on President Ong Teng Cheong. The Vietnamese leader and his delegation later held a meeting with Singapore ministers and officials. He is visiting Singapore as part of a tour of ASEAN countries.

ASEAN Private Sector Faulted for AFTA Delay

BK0310065193 Singapore BUSINESS TIMES in English 2-3 Oct 93 p 1

[By Yang Razali Kassim]

[Text] Singapore—Trade and Industry Minister S Dhanabalan yesterday criticised ASEAN's private sector for causing the delay in the launch of the ASEAN Free Trade Area (AFTA). In an interview with BUSINESS TIMES ahead of next week's 25th ASEAN Economic Ministers Meeting, Mr Dhanabalan blamed AFTA's delay—it was meant to be launched in January this year—on protectionist pressures from private sector interest groups on some ASEAN governments.

Hitting out at the ASEAN private sector's "schizophrenic approach" of having their cake and eating it, he said leaving the job of creating AFTA to the private sector would not work. He added: "I never believed the various claims by the chambers of commerce and the private sector that if things are left to them, the whole free trade arrangement will move faster. That's not true, because they are the ones who put pressures on their own governments to go slow or erect protective barriers."

Mr Dhanabalan also disclosed that ASEAN economic ministers will thrash out next week a new package of tariff cuts aimed at making sure that AFTA kicks off by Jan 1 next year. The fresh list on tariff cuts is a short one, but good enough to send a clear signal that AFTA is a credible and workable system.

There is a good chance of this special package being endorsed by the 4th AFTA Council which will meet here next Wednesday, and by the economic ministers meeting later in the week.

"Some countries have suggested that in order to clearly signal that AFTA is a credible implementable system, we should at least have a short list of items so that we should start reducing tariffs by Jan 1, 1994," said Mr Dhanabalan. He described the special package as an expansion or elaboration of the Common Effective Preferential Tariff (CEPT) scheme. He said the idea was basically to speed up AFTA and it came from a few other countries, with Singapore supporting.

AFTA was scheduled to be launched on Jan 1 this year with the start of a gradual tariff-cutting exercise spread out over 15 years until the year 2008. But a number of ASEAN countries failed to meet the deadline, causing the AFTA/CEPT launch to be delayed, although a target of a free trade area by 2008 remains unchanged.

Under the CEPT scheme, 15 sectors have been identified for a fast-track programme of tariff cuts. Tariffs are to be cut to no more than 5 percent. For goods now subject to tariffs of 20 percent or more, the cuts are to be made within 10 years; for those subject to tariffs of less than 20 percent, the cuts should be done within seven years.

The CEPT scheme also has a "normal track" programme of more gradual tariff cuts over a 15-year time frame.

Mr Dhanabalan said he expects some governments top face more pressure to back-pedal on the commitments. Although he did not identify the countries concerned, it is commonly known that Thailand, the Philippines and Indonesia have been subject to such pressures, in varying degrees. Although more and more companies and industries in ASEAN now realise that they are increasingly dependent on export markets for their survival, they should not assume that "others will keep their markets open for them to export while they have their protected markets for their own," said Mr Dhanabalan.

Apart from giving AFTA a kick-start, the ASEAN economic ministers meeting will also have to tackle at least two other main issues. The first is the launch of the East Asian Economic Caucus (EAEC), which ASEAN foreign ministers have agreed in July to pass on to the economic counterparts to implement. The other is to exchange notes on the upcoming Asia-Pacific Economic Cooperation (APEC) meeting of leaders and economic ministers in Seattle in November.

Mr Dhanabalan said the ASEAN secretary-general's report on the EAEC would be the starting point for discussion. He added that there is no dispute now on what the EAEC s all about as the principles are clear.

"I's only when we start on the details that people will have different ideas," he said.

The ASEAN ministers will also hold talks with the new Japanese Minister for International Trade and Industry, Hiroshi Kumagai, and with Peter Sutherland, the new director-general of the General Agreement on Tariffs and Trade (GATT).

Cambodia

Ranariddh, Hun Sen Meet Cambodians in New York

BK0510022993 Phnom Penh National Voice of Cambodia Radio Network in Cambodian 1200 GMT 4 Oct 93

[Text] Hundreds of members of the Cambodian community in the United States and Canada jointly hosted a luncheon in New York on 3 October at 1200 in honor of the Royal National Government of Cambodia [RNGC] delegation of the Kingdom of Cambodia led by Prince Kromluong Norodom Ranariddh and His Excellency [H.E.] Hun Sen, respectively first and second prime ministers, who are, for the first time, attending the 48th UN General Assembly in New York.

After welcoming speeches made by the National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia [FUNCINPEC] Party, representatives from various regions expressing pleasure with the creation of the new government and voicing determination to continue joining hands to reach national reconciliation and rebuild the country, Prince Kromluong, taking the floor, talked about the Cambodian peace process. He especially pointed out the good opportunity for Cambodia, whose situation has not evolved as have those in Yugoslavia, Somalia, or Afghanistan. This is because we have a king who has no ambition to enter a political contest to bid for power. The king remains the embodiment of independence, sovereignty, and national unity, thereby allowing our Cambodian society to remain stable. Prince Kromluong also pointed out that although the RNGC's character is the strangest in the world, this character conforms to the phenomena currently taking place in the country.

Commenting on the issue concerning the present government, H.E. Hun Sen said: This government, although bizarre, is a decisive factor that prevents war from flaring up in the country, that keeps the three warring armies united and cooperative, and that allows the Constituent Assembly to adopt a democratic constitution within a short period of time. These events create a favorable condition for UN Transitional Authority in Cambodia to depart from Cambodia quickly. H.E. Hun Sen stressed that these achievements have been made thanks to the vivid perception of the King Father, who has a clearer insight into the country's present and future perspective.

The second prime minister also told the audience about the RNGC's stance toward the Khmer Rouge, reaffirming that the Royal Government is not weak, but it should do whatever it can for the sake of the country's national unification, peace, and stability, which represent the initial step to rebuilding the country toward prosperity.

Afterward, Prince Kromluong and H.E. Hun Sen answered several questions raised by the audience, especially the worry about Cambodia's independence and territorial integrity. Prince Kromluong clearly explained various measures taken by the RNGC and dispelled the worry, saying that Cambodia still has the King Father, who has been celebrated for decades as a champion of independence, sovereignty, and territorial integrity.

The luncheon was held in an atmosphere of cheerfulness and cordiality until 1800.

UN General Secretary Greets King Sihanouk

BK0410123793 Phnom Penh AKP in English 1001 GMT 4 Oct 93

[Text] Phnom Penh AKP October 4—UN General Secretary Butrus Butrus-Ghali has extended warmest greetings to His Majesty Norodom Sihanouk, King of Cambodia.

In his message, which also hailed the promulgation of the new Constitution and the foundation of the new Government of Cambodia, Butrus Butrus-Ghali notably said: "Your great wisdom has allowed the Cambodian people to overcome the two-decade conflict and privation. Under your authority, the Cambodia people has been engaged in the peace process which was opened by the Paris agreement.

"We are convinced that all of us have been satisfied with the role played by the United Nations in undertaking national reconciliation and restoration of democracy.

"On the occasion of the ending mandate of the United Nations Transitional Authority in Cambodia (UNTAC), let me express my thanks for your heartfelt support to UNTAC and the United Nations. As your know, I have extreme sense of your amiable speech addressed to my special representative and to myself.

"I believe that the Kingdom of Cambodia, under your leadership, would enjoy the bright future. I would like to assure you that your country could forever confide in the faithful support and cooperation of the United Nations."

Sihanouk Clarifies Advisory Role for Khmer Rouge

BK0510044993 Phnom Penh National Voice of Cambodia Radio Network in Cambodian 0400 GMT 5 Oct 93

["Unofficial translation" of a "correction" by King Norodom Sihanouk, issued in Beijing on 5 October—read by announcer]

[Text] Correction: [sach kdei kae damruv]

Since yesterday, and this morning, too, there were misinterpretations of my statement concerning the current problem between the Party of Democratic Kampuchea [PDK]/Khmer Rouge and the Kingdom of Cambodia's Royal Government. Concerning this issue, I would like to provide the following clarifications:

1. In accordance with the 1993 Constitution of the Kingdom of Cambodia, the king reigns but does not rule. I have no intention whatsoever, no matter what, to violate our Constitution. I also have no intention whatsoever to suggest to the Cambodian Royal Government [CRG] to agree in November 1993 to provide a roundtable or to provide the Khmer Rouge an advisory role attached to the CRG or to the Khmer Royal Armed Forces, or within the CRG.

2. I said that in mid-November 1993, I will make efforts to help solve the Khmer Rouge/PDK problem with the CRG; only help, but not decide. It should be clearly realized that the maintenance of Khmer Rouge's autonomous zones in Pailin, Preah Vihear, and so on, inside the Kingdom of Cambodia is unacceptable. This absolutely cannot be agreed upon. Any division of Cambodia cannot be agreed upon.

3. Finally, I said that before using military means against the Khmer Rouge, the CRG should first use all peaceful means within its power to solve this Khmer Rouge problem. In particular, the issue of autonomous zones in Pailin, Preah Vihear, and so on, should end.

The king does not have government power. His role is to preserve peace for his people and work to unite the nation. He does not encourage violent activities, war, and the destruction of the country.

[Dated] Beijing 5 October 1993

Sihanouk Speech in Kompong Chhnang Province

BK0310085393 Phnom Penh National Voice of Cambodia Radio Network in Cambodian 1300 GMT 2 Oct 93

[Speech by King Norodom Sihanouk at a mass meeting in Kompong Tralach District, Kompong Chhnang Province on 2 October—recorded]

[Text] My most humble respects to the venerable Buddhist monks here, including the provincial abbots representing our glorious Buddhism, which we treasure more than our own lives. I would like to thank the clergy for bestowing best wishes for longevity on me and my wife, the queen of the Kingdom of Cambodia. I would like to convey my thoughtful sentiments to the clergy and my joyous children, grandchildren, and great-grandchildren in Kompong Chhnang Province, particularly in Kompong Tralach District. I am happy to meet you here, and I would like to thank you—my children and grandchildren—for your presence. [crowd shouts: "Long Live the King Father and Queen Mother; Long Live the Father of Peace; Long Live the Father of National Reconciliation."]

Thank you very much.

I, the king father, would like to salute all of you—grandmothers, grandfathers, brothers, sisters, and children—for whom the queen mother and I have the most thoughtful and affectionate sentiments. I would like to pay my respects to His Excellency [H.E.] Chairman Chea Sim, excellencies, madams, gentlemen, ladies, and misses who are my distinguished colleagues. I would also especially like to salute his excellency the governor of Kompong Chhnang Province; madams, excellencies, gentlemen, and ladies who are members of the royal administrations in this province and this district; and the Khmer Royal Armed Forces and the Royal Police who protect our beloved and outstanding compatriots and children in this prestigious province.

I would like to welcome his excellency the Indonesian ambassador and madam; H.E. General Navet na Nongkhai, ambassador of the Kingdom of Thailand to his majesty the king of Cambodia, and madam; H.E. PRC Ambassador Xue Yuee; his excellency the ambassador of the Kingdom of Thailand to Cambodia; his excellency the ambassador of the Republic of India; and all our friends, especially those UN Transitional Authority in Cambodia [UNTAC] commanders representing the United Nations in the province.

First of all, we—your king father and queen mother—are extremely pleased to thank you, my children, for your presence here in this atmosphere of unity within our big family. This event will give impetus to our entire nation.

The welcome extended to us—your king father and queen mother—has been great and intimate, showing your faithful love and deep gratitude to the throne and king. You have unanimously concurred in entrusting our parliament of 120 MP's—your representatives—with the sublime task of drafting a new constitution that will provide a cool shade for you, allowing for the restoration of the monarchy according to the ancient traditions of the Angkor era and the Sangkum Reas Niyum regime. The latter offered our Cambodian nation and motherland full independence, territorial integrity, peace, national unity, and solidarity as well as development and prosperity in all sectors, for the benefit of our 7 million people, who now number 8 or 9 million. [crowd shouts: "Long Live the Father of Peace"]

Thank you very much.

For this reason, you, my children—the owners of your votes and the masters of power in our Cambodian state—have decided that a new and perfect constitution should be established to protect Cambodia's independence, territorial integrity, peace, unity, and survival for thousands of centuries and allow Cambodia to remain vivid with its independence and honor. So we should link ourselves to the Angkor era, which gave Cambodia a most prosperous and prestigious standing. [crowd shouts: "Long Live the Constitutional Monarchy That the People Long For"]

Thank you.

This is the constitution that the 120 MP's—including (?H.E. Son Sann) and other excellencies of the Kingdom of Cambodia—perfectly drafted for you at the parliament. We can boastfully guarantee that from now on, the 1993 Constitution will provide the people with a liberal multiparty democracy, thus allowing our nation to enjoy full freedom and making our people the masters of the country and the destiny of our motherland. Nobody can take this power away from the people. All power is in the hands of our 8, 9, or 10 million people. [crowd shouts: "Long Live Liberal Multiparty Democracy"]

There are many kinds of power—legislative, executive, and judicial power. You, the people, have entrusted the 120 MP's with the legislative power to codify all sorts of laws for your protection and serve the country's interests. As for executive power, it has been assumed by the royal government—appointed by the People's Representatives Assembly, not the king. If the government works effectively, the parliament will allow it to continue. Otherwise the parliament is entitled to remove it and nominate a new government in its place. In other words, the government belongs to the people. The fact that the government is called the royal government does not mean that it is owned by the monarch. Royal government means a government within the Kingdom of Cambodia, which is serene, prosperous, and peaceful, and has been restored to the way it was before in accordance with our traditions. It is certain that the government belongs to the people.

Who owns the power of the judiciary; of the judges? It is said to belong to the people—to all of you. Therefore, it is stated in the constitution that judicial power is independent from the parliament and from the government. The parliament and government should not be empowered to pressure the courts or the judges. This is because if there is pressure, there can be no justice. Therefore, independence must be given to our nation's courts—our judges—so that whenever you file a case, the judges can make a judgment for you without fearing the government, the administration, or the parliament. Judges are only afraid of the people; therefore, they seek justice for the people. Give the people justice!

Administrative power belongs to the people. The administration is called the people's state administration. It is the administration that really serves the people. Take the provincial governor and the district governor, for example. They are the representatives who serve all of you within the framework of the Kompong Chhnang provincial administration and the state administration. You can depend on the administration if you wish. It serves you day and night. If you want anything, do not be afraid to contact the administration. You have all kinds of freedoms, so do not be afraid.

I said we should have no fear because we now profess a liberal democracy in which all citizens—male and female; young and old alike; upholding whatever religion, Buddhism and Islam in particular—enjoy powers and rights. The people are therefore lucky. The parliament and its members serve the people. Whatever the people want, they should not be afraid to contact the parliament. The government serves the people. The people can even criticize it. The government does not have the right to arrest or detain you for this. It can arrest or jail you only on charges of murder or violating the rights and liberties of others. Any crime will be correctly judged by the courts according to the degree of its seriousness; that is, there will be no chain and shackle like before. There will be no torture. This is absolutely not allowed. We respect human rights 100 percent.

In Cambodia, there are also human rights associations. I told many association members that our new constitution advocates the protection of human rights; the people's rights. At first, they were not quite satisfied. But now, having seen the constitution, they say they are happy with it. They cannot criticize it. They must be satisfied with it because the parliament wrote it—the best constitution—for the people in line with the voters' trust. From now on, today and in the future, our people will be able to enjoy a life as brilliant, happy, comfortable, and prosperous as in other countries. From now on, we will be as developed as France and England, which are said to be the models of democracy.

Therefore, we can say that our constitution is the best; one that our Cambodia, our Cambodian people, and our monks can be 100 percent proud of. [crowd shouts: "Long Live the Kingdom of Cambodia"; applause]

In talking about monks we are talking about religion. Religions are guaranteed. There is freedom to uphold beliefs—the beliefs of the ethnic minorities and of the majority; all religious beliefs—as long as they are the proper ones. Therefore, we serve and give utmost support to the religions that are most loved. The most popular religions in our Kingdom of Cambodia are: First, Buddhism; second, Islam; and third, Christianity.

Therefore, it is very good for me to be able to come and pay my respects to Buddhist monks and Islamic religious leaders, and to see my children who are Buddhists or Muslims. I am very happy to see that all of you are confident in our constitution, parliament, government, and king. From now on, you will enjoy limitless freedom; you will have unlimited freedom of belief. There will be temples, mosques, and churches for you according to your religious beliefs—Buddhism, Islam, and Christianity. No one will dare touch you. You must be supported and protected in making your religions prosper even more greatly in the centuries—the hundreds and thousands of centuries—to come. [crowd shouts: "Long Live the King Father of National Reconciliation"; applause]

Finally, concerning this constitution, we speak about the monarchy and the king. We have arranged our royalist regime. We no longer call it a monarchy, because monarchy implies that the king holds power. We no longer allow our king to hold power. Not just Norodom Sihanouk, but all future kings after Norodom Sihanouk must abide by the constitution. This clause in the constitution cannot be amended. The clause on royalty says that the king provides shade for his people. He is the symbol of the independence and territorial integrity of our nation; the one who guarantees the people's rights and freedoms; the one who supports the people and protects them from harm; the one who serves peace and seeks happiness for the people and unity for the nation; and the father of national reconciliation. These are the duties of the king. Another duty of the king and queen is to serve the people in the cultural, social, agricultural, and humanitarian fields. That is, they have no power to control the government or to hold executive, legislative, or judiciary powers. The king serves only as a shade and as glue to unite the people.

Our royalty therefore follows the style of England, where the king reigns as a shade for the people but does not hold power [preceding fourteen words repeated in French]. Therefore, you should know that the royalty serves as a shade for the people; as glue to hold the people together, avoid discord and fighting, and enjoy happiness together. Therefore, we should give the good things to the king and leave anything that causes arguments and disputes—such as policy—to be settled by members of parliament; by the parliament that controls the government. Therefore, from now on, we will have a good regime; an all-around good regime.

These are the positive results arising from the constitution and the free and universal elections you all participated in. You have arranged things very well. I would like to take this auspicious occasion to pay my respects to the monks, grandmothers, grandfathers, uncles, aunts, brothers, sisters, children, and grandchildren for the positive arrangement of these undertakings. It is an historic event for our nation. It is a source of great pride for our Cambodia. [crowd shouts: "Long Live the King Father and Queen Mother"; applause]

Thank you.

Now I would like to tell you about a problem that has not yet been resolved; that is, the Khmer Rouge issue. The Khmer Rouge issue is difficult to resolve because they have created serious trouble for many decades now. The worst was during Mr. Pol Pot's era. Your families suffered untold misery, as did mine. Buddhists and Muslims suffered similarly. Let us forget about it, though, so we can reconcile our nation and seek peace for us all. No matter how serious their wrongdoings were, we are not vengeful. This is because, as followers of Buddhism, Islam, and Christianity, we are taught to forgive and forget. We are taught to do our best to urge wrongdoers to change and do good things. For this reason, I have not closed the door on the Khmer Rouge. They are also Cambodians. Because they have their own armed forces, I have kept in touch with them—as their father—to keep them from menacing or harming our nation and people. This is because I am the father of all Cambodians, whatever color they may be, red or not. I am the father of the 8 or 9 million Cambodians, both inside and outside the country. Whether they are Buddhists, Muslims, Christians, Khmer Leu, Khmer Kraom, or Khmer Kandal, I am their father. Therefore, I am the father of the Khmer Rouge as well. As the parent, I must teach them and make them understand the national interests; that is, peace and unity.

This is the reason why yesterday, before I came here to see you, H.E. Khieu Samphan, the head of the Party of Democratic Kampuchea, came to see me along with his delegation of two ambassadors, H.E. Kao Bun-heng and H.E. Tep Khunnal. They told me that they recognize and fully support the royalty. They asked me to help them reconcile with the royal government and our National Assembly. They asked me for help so that they can play a role in our new Cambodian state. I asked them what role they wanted. They said they would like to play an advisory role in the government and administration. So I told them to wait and discuss the matter with the royal government when Prince Kromluong Norodom Ranariddh and H.E. Hun Sen, the first and second prime ministers, return from the United Nations, and after we celebrate our 40th independence day on 9, 10, and 11 November.

We will be celebrating the full independence of our nation, which our king and people, uniting around the throne, seized from France in November 1953. Therefore, 9 November 1993 is the 40th anniversary of our independence from France. We will be holding big celebrations in Phnom Penh, Kompong Chhnang City, and other cities. In particular, there will be military parades, songs, and entertainment as well as beauty contests. These celebrations will be as joyous as those in the past, during the previous royal era. The grandmothers, grandfathers, brothers, sisters, and children might still remember these. As I have told all our children, grandchildren, and great-grandchildren, we will be organizing joyous celebrations similar to those in the past.

Therefore, after the royal government's two prime ministers return from New York in the United States—where they are attending the UN General Assembly—they will hold discussion with Khieu Samphan and his group to see what role they can be given, and in exchange, ask them to return their autonomous region. This is because, according to the constitution, there should be no autonomous region in our country; that is, our country cannot be divided into two zones. Our country is currently divided in two because the Khmer Rouge control 20 percent of our Cambodia, including Preah Vihear Temple and Pailin town, where there are large deposits of gems—rubies and emeralds. Each year, the Khmer Rouge earns several hundred million U.S. dollars by selling gems and timber. They earn hundreds of millions of U.S. dollars. Thus, since they have profited so much already, they will be asked to return their region to the state; to the nation. There should be no autonomous region. It is not right for them to be autonomous. It is against the constitution and runs counter to the norms of a state. Autonomous regions are not allowed in any civilized state, not just our Cambodian state. Such autonomous states are not allowed.

Therefore, arrangements must be made to settle any problems between the Khmer Rouge and the royal government properly in line with the constitution and the sublime interests of our nation; our motherland. Children in Kompong Chhnang, Kompong Thom, Kompong Cham, Kampot, Siem Reap, and so forth have experienced continuous fighting. Some fighting still continues here and there. It is not major fighting, but it has affected some of our children. Therefore, we must put an end to the fighting. This is called a cease-fire [preceding word in French]. I have asked both sides, the royal government and the Khmer Rouge, to cease firing and settle the problems that remain between them through peaceful means for the sake of the people and the (?nation). We should use peaceful means. Therefore, I must tell you that I will continue to help with the Khmer Rouge issue. I am not helping the Khmer Rouge—I am helping to bring peace; to gradually resolve the problems created by the Khmer Rouge. This is so that all of Cambodia and our 8 or 9 million compatriots will be able to enjoy a genuine peace. [crowd shouts: "Long Live the Father of National Reconciliation"; applause]

Thank you.

In conclusion, I have learned that there has been a water shortage in some districts and localities. Some localities have barely had sufficient water. The blessings of Lord Buddha's Triple Gems, Allah, all other gods, and the souls of our former kings and queens have brought us serenity and happiness through the continuous rain showers of the past several days; since the promulgation of this constitution and the coronation of the king father and queen mother. For this reason, our farm lands have returned to life. Some areas are even flooding because of too much rainfall.

But earlier, there was a water shortage due to drought. For this reason, fearing that you might be short of rice to eat this year, especially in the coming dry season, H.E. Kong Sam-ol, the palace and agriculture minister who is a member of parliament from this outstanding Kompong Chhnang Province, asked me to distribute aid to you. I am going around distributing aid to the districts and villages that are suffering shortages. Immediately after my coronation, I hurried to visit my children. I have visited four provinces in just a week; seven to eight days. These provinces are Kompong Speu, Prey Veng, Takeo, and now Kompong Chhnang.

I am also bidding farewell before going for medical treatment in Beijing for a short period of about one month. After that, I will hurry back to celebrate independence day with you, children, and stay with you until I die. Even when I die, my body will be cremated by all my children. You may keep my remains in the Silver Buddha Temple so that you can pay your respects to me any time you like. The stupa for my remains is in the Silver Buddha Temple near the Royal Palace. Therefore, alive or dead, I will not leave my children. I will always be close to the children of every future generation. My remains will be kept here on our Cambodian land forever. [crowd shouts: "Long Live the King Father and Queen Mother"; applause]

Even after I die, the queen mother will stay on to protect and serve all the children and venerables. After she dies, the queen mother wants her remains to be kept with mine so that we can become husband and wife again in the next life. [laughter]

We have many gifts for all my children. H.E. Kong Sam-ol will soon come up and tell you about the gifts to be distributed to those children who are in trouble. Please forgive us for not being able to distribute gifts to everyone. There are tens of thousands of children and we cannot distribute gifts to all of them. We can only give gifts to those needy children who have already received gift slips. Because I have no personal wealth, this aid has been given to me by the major countries that are our true great friends. I am distributing all of their gifts to the children in every province. I am going around distributing gifts to my children. Whenever I have been unable to go and see them, I have invited them to come and see me from the provinces. I have previously called them to the palace and distributed gifts to them.

Now that I am here in person with all our children, I would like to distribute these gifts to you. I would also like to apologize to some children who are not going to receive any gifts. I know that they understand me very well. They are just here to meet me, their father, and not to get anything from me. They are just here to help and support me in my capacity as king of Cambodia. Therefore, I would like to thank all of these children very much.

These are the gifts from our great friends. The first gift is from the Republic of Indonesia, donated by H.E. President Suharto, whom I regard as my most respected and beloved elder brother. It is many metric tons of rice. We still have a lot left after distributing it to people in the four provinces. The other provinces should be informed that after my return, I will distribute whatever aid I get from our other friends. I will go to every province to distribute aid. I am not lazy; I am very diligent. I have not forgotten those provinces that I have not yet visited. Please forgive me and understand that I will definitely visit our children in every province, near and far, even in the remote outlying areas. As long as I am alive, despite my health problem, I will continue to visit and serve all our children, using all of my physical and intellectual strength.

The second gift is from the Kingdom of Thailand. It includes blankets, mosquito nets, scarves, instant noodles, and so forth. These assorted gifts have been generously given to us by the glorious Kingdom of Thailand, which is also our great friend. The PRC is another gift donor. Earlier, I distributed much of this aid, such as medicine and vitamins, to revitalize the children who are weak. Big China is our great friend and a fraternal country whose ambassador is here in person. Also here in person are H.E. Sudardo, the Indonesian ambassador, and his wife; his excellency the charge d'affaires of the Kingdom of Thailand; and H.E. Nawet Na Nakhon, the Thai ambassador attached to the Cambodian king, and his wife.

Commemorating the soul of His Highness Mahatma Gandhi, the father of nonviolence in the world, India, another great friend—represented by H.E. (?Bhandari), who is also an UNTAC leader—has given us one thousands tons... [pauses] excuse me, one metric ton of rice for distribution to my children. I would like to thank all of these great friends, the Republic of Indonesia, the Kingdom of Thailand, the PRC, and the Republic of India. Thank you very much. [applause; crowd shouts: "Long Live the King Father and Queen Mother; Long Live the Father of Peace.]

I will end my speech soon, children. [laughter]

There are other splendid gifts—sarongs, books for students, pencils, copies of the Koran book of sacred writings of the Islamic religion, and so forth. They are generous gifts from H.E. Chea Sim, chairman of the glorious Cambodian People's Party [CPP]. The CPP has given me all kinds of assistance since the day I returned to our country on 14 November 1991. The CPP has supported me according to royal tradition and that of the Sangkum Reas Niyum, of which I was the leader in the 1950's and 1960's. It has succeeded in its work and brought progress in all fields—education, public health, and all other aspects—in line with the traditions of royalism and the Sangkum Reas Niyum. It has also restored everything to the royal way and given all kinds of aid to the people, the king father's poor children. Their Excellencies Chairmen Chea Sim, Heng Samrin, and Hun Sen have supported me all along. I would thus like to thank H.E. Chea Sim and madam and the CPP. [applause; crowd shouts: "Long Live the King Father and Queen Mother."]

All the children representing National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia; the CPP; the Buddhist Liberal Democratic Party; and MOULINAKA [National Liberation Movement of Kampuchea]—whose chairman, H.E. Prom Neakareach, is also here—are well united around the king and queen, who are their father and mother. This is a good atmosphere. Grandmothers, grandfathers, uncles, aunts, brothers, and sisters who were in the former royalist era must see that all the good things in every field have been restored. We are united very closely. All parties are closely united. All citizens are very closely united. We will strive to improve our democracy even more; up to 10 or 20 times more. Therefore, we must be optimistic and firmly confident in the bright and glorious future of our Cambodia; an immortal Cambodia. Our Cambodia is absolutely immortal and will live forever. [applause; crowd shouts: "Long Live the Kingdom of Cambodia."]

Thank you children. Thank you, your venerable. It is just 10:10, your venerable still has enough time for lunch. I would like to end this speech now. I would like once again to thank all venerable, grandmothers, grandfathers, uncles, aunts, brothers, sisters, children, grandchildren, great-grandchildren, all foreign friends, their excellencies, madams, ladies, and gentlemen. I have not forgotten UNTAC. Thank you, UNTAC, for giving us so much help; such historic assistance. UNTAC has helped us in building democracy, elections, and national reconstruction. I will never forget UNTAC. I would like to thank all the Cambodian and foreign UNTAC officials.

May the Triple Gems protect and take good care of all my most beloved brothers, sisters, children, grandchildren, great-grandchildren, and compatriots in Kompong Chhnang Province; Kompong Tralach District; and in all other provinces, districts, villages, and islands throughout our Cambodia. May you enjoy longevity, social prestige, happiness, strength, and enlightenment. Thank you. Thank you very much.

Commentary Urges Khmer Rouge To Review Stance

BK0210060093 Phnom Penh National Voice of Cambodia Radio Network in Cambodian 1300 GMT 1 Oct 93

[Commentary: "The Khmer Rouge Must Help Themselves First"]

[Text] Today, Khmer Rouge leader Khieu Samphan is being received in Phnom Penh by His Majesty the King before the latter leaves for further medical treatment in Beijing and at the time when Prince Kromluong Norodom Ranariddh, first prime minister, and His Excellency [H.E.] Hun Sen, second prime minister, are absent because of their participation in the 48th UN General Assembly in New York. It is well known that both Prince Kromluong Norodom Ranariddh and H.E. Hun Sen have adopted a resolute stance toward the Khmer Rouge and that it is impossible for the Khmer Rouge to be allowed to share power with the government. However, an advisory role will be given to the Khmer Rouge if the latter hands over the zones they control to the king to whom they have voiced support and if they disband and incorporate their troops into the national Armed Forces.

Prince Kromluong Norodom Ranariddh has already disclosed that the Khmer Rouge should do whatever they can to show their sincerity; especially, they should offer something to the king in exchange for their return to the national community. As for H.E. Hun Sen, he has also pointed out that since 24 September, the Khmer Rouge have become unlawful rebels and that the government is fully entitled to legally settle problems according to the Constitution, which stipulates that the Kingdom of Cambodia is absolutely indivisible. As such, the Khmer Rouge should once again ponder whether they want to remain unlawful, and the countries that have continued to give succor to the Khmer Rouge should also reconsider their policies toward the legal government and their ongoing support for the unlawful rebels. Any negative action toward the Cambodian Government will certainly be denounced.

His Majesty King Norodom Sihanouk criticized the Khmer Rouge and told them to stop selling Cambodia's natural resources worth hundreds of millions of dollars. His majesty said: If the money they have used to buy weapons to fight the people is instead used as aid to build Kompong Speu Province, the province will definitely become a big city.

Analysts are of the opinion that if the Khmer Rouge's final step is wrong, it will determine their destiny and that the time for the Khmer Rouge has nearly run out. The audience with the king in the Royal Palace shows the Khmer Rouge's final move in the national reconciliation process initiated by the king father. The meeting outcome, although positive or negative, will have a direct impact on the result of a roundtable meeting to be held possibly after the celebration of the 40th Independent Day.

H.E. Hun Sen, commenting on the planned roundtable meeting with Khmer Rouge leaders, said he anticipated that the result would be insignificant, because so far the Khmer Rouge have not yet shown themselves to be trustworthy.

At the United Nations, it is expected that the two prime ministers of the Royal National Government of Cambodia [RNGC] will hold a special meeting with the UN Security Council on the current situation in Cambodia, including the remaining Khmer Rouge problem that still cannot be solved according to the Paris peace accord.

That the United States promptly recognizes the Kingdom of Cambodia, resumes diplomatic ties with the RNGC, and maintains a tough stance on the issue of Khmer Rouge inclusion is a reminder for the Khmer Rouge that they should reconsider their position toward the national community. And China, which used to be a staunch backer of the Khmer Rouge, has promptly turned to recognizing the Kingdom of Cambodia and establishing diplomatic bonds with the RNGC. That being the case, there is no reason whatsoever for the United States and China to help the Khmer Rouge. For this reason, the latter must help themselves first.

Between the legal government and the unlawful rebels, the international community at the UN General Assembly will certainly provide full support to the RNGC. The Khmer Rouge, in spite of their all-out efforts, will certainly be beaten down if they do not comply with the king's advice.

Radio Views Prospects for Roundtable Talks

BK0510070793 Phnom Penh National Voice of Cambodia Radio Network in Cambodian 1300 GMT 4 Oct 93

[Commentary: "Khieu Samphan Should Not Be Hesitant"]

[Text] A letter from the first and second prime ministers of the Cambodian Royal Government to Khieu Samphan on 30 September specified what the Khmer Rouge group should do before the roundtable negotiations planned for November. First, it has to declare that it recognizes the Kingdom of Cambodia's Constitution promulgated by King Norodom Sihanouk of Cambodia. Second, it has to declare that it recognizes the legitimate government for which the king has appointed the first and second prime ministers. Third, it must recognize that the roundtable negotiations are talks between the legitimate government and the Khmer Rouge group, and not talks between sides.

The message further stressed that Khmer Rouge radio should stop its broadcast, because its essence is to instigate and incite rift and create unfriendliness and hostility.

We noted that this message to Khieu Samphan seems to be fairly conciliatory but based on the principle of international law. This is also the duty of a legitimate government toward its country and people and not conditions for the Khmer Rouge, who are already rebels.

Looking at the Khmer Rouge proposal and the stance of the Cambodian Royal Government, there is some common ground that could produce good results at the roundtable meeting in mid-November. However the parts that cause concern deal with the second and third points of the Cambodian Royal Government's message. Will Khieu Samphan accept these points? The Khmer Rouge have been resolutely opposing these issues.

However, we are of the opinion that this time around is not like in the past. There is also not much time for Khieu Samphan to keep avoiding and rejecting the truth and sincere goodwill. The Cambodian Royal Government probably will not lessen pressure on the Khmer Rouge group that persists in creating instability in society. We therefore think that if Khieu Samphan is determined to do what he says—that he respects and follows the king and loves the nation with a genuine desire for national reconciliation—he should be courageous to accept the truth and accept everything that could provide hope and full peace to the entire Cambodian nation and people.

However, if Khieu Samphan does not have the courage and political maturity, there may be only a one-percent chance of success at the roundtable meeting, as His Excellency Hun Sen has said. At that time the national reconciliation goodwill of Khieu Samphan and his group will be exposed even further. This is completely the opposite of the Cambodian people's aspiration.

Laos

Leaders Greet Counterparts on PRC National Day

BK0110050793 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 1 Oct 93

[Text] On 1 October, Comrade Khamtai Siphandon, chairman of the Lao People's Revolutionary Party [LPRP] Central Committee and prime minister of the Lao People's Democratic Republic [LPDR]; Comrade Nouhak Phoumsavan, president of the LPDR; and Comrade Saman Vi-gnaket, chairman of the LPDR National Assembly jointly sent a telegram of congratulations to Comrade Jiang Zemin, general secretary of the Communist Party of China [CPC] and president of the People's Republic of China; Comrade Li Peng, prime minister of the PRC; and Comrade Qiao Shi, chairman of the Standing Committee of the PRC National People's Congress, in Beijing. The message reads:

On the occasion of the 44th anniversary of the establishment of the People's Republic of China, on behalf of the LPRP Central Committee, the Government, the National Assembly, the multiethnic Lao people, and in our own names, we would like to extend our best wishes to our comrades, and through you to the CPC Central Committee, the PRC Government, the PRC National People's Congress, and all the fraternal Chinese people. Throughout the past 44 years, especially in more than a decade of implementing the principle of national reform and open door policy, under the leadership of the CPC, the Chinese people have not only been able to protect the fruits of the revolution but have also scored new and significant victories in many aspects in the cause of building modern socialism in a Chinese way.

Nowadays, the PRC has become a country with political stability, a developing economy, and gradual progress in science and technology, while the living conditions of the Chinese people have been noticeably upgraded both materially and mentally. The party, Government, National Assembly, and all of us, the Lao people, congratulate the successes the fraternal Chinese people have attained throughout this period and highly value the role of the PRC in the international arena.

Laos and China are two neighboring countries and our peoples have enjoyed good relations with each other since ancient times. We are pleased to see that the relations of friendship and all-around cooperation between our two countries have been improving and are developing more significantly, thus bringing true benefits to the Lao and Chinese peoples and contributing to peace, stability, and cooperation in the region and the world.

On this glorious occasion, we wish our comrades and the Chinese people new and greater successes in accelerating national reform, as well as in developing their economy in accordance with the mechanisms of a socialist market economy in the PRC and the direction set by the 14th CPC Congress.

PRC Envoy Hosts Reception on National Day

BK0110144893 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 1 Oct 93

[Text] Huang Guocai, PRC ambassador extraordinary and plenipotentiary to Laos, and his wife hosted a reception at their residence in Vientiane on the evening of 30 September to mark the PRC's 44th national day. Those who attended the reception as honored guests included Sisavat Keobounphan, minister of agriculture and forestry and chairman of the Laos-China Friendship Association; ministers and deputy ministers; foreign diplomats; representatives of the international organizations in Laos; and many others.

PASASON Editorial Marks PRC National Day

BK0110143393 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 1 Oct 93

[Editorial from 1 October PASASON: "May the Chinese People Win New Victories in National Development and Construction"]

[Text] Today, 1 October, is the day in which the great Chinese people are joyously celebrating their national day amid a jubilant atmosphere of competition with one another in implementing the policy of economic reforms and openness adopted by the party and the PRC Government, thus winning one great victory after another. In the course of the history of their struggle and national construction, it is well known that in 1949 the Chinese people under the leadership of the Chinese Communist Party [CPC] headed by Mao Zedong won a victory in the civil war by managing to seize administrative power. The Chinese Communists and people were then extremely confident in their bright future. On the path of advancing toward socialism, the Chinese people encountered numerous difficulties and many failures. Nonetheless, under the leadership of the CPC, the Chinese people managed to overcome all obstacles and record many great and commendable achievements.

In particular over the past 14 years since the implementation of the policy of economic reforms and openness, the Chinese people, having firmly adhered to the following four principles—the party leadership, the revolutionary cause, the Marxist-Leninist ideology and Mao thinking, and the popular democratic dictatorship have steadfastly taken China along the path of socialism and won many great victories in the cause of national development. Currently, China's policy of economic reforms and openness is being steadily regulated and is marching forward with firm steps, thereby bringing numerous fruits to the Chinese-style socialist construction. Evidence of such achievements can be seen as follows: The Chinese people's living conditions have been improved while their per capita income has increased from a mere 600 yuans in 1984 to 2,055 yuans at present. Last year, China's gross national income amounted to 2,393.8 billion yuans—an increase of 12.8 percent compared to 1991.

Currently, the Chinese people throughout the country are striving energetically to fulfill senior Chinese revolutionary Deng Xiaoping's advice, which says that we must step up the policy of economic reforms and openness in a systematic and rapid manner and become bolder in marching forward more rapidly in order to catch up with Asia's dragons in the next 20 years. This is a a valuable advice which has become an axiom for the Chinese people in carrying out the tasks of national development to attain comprehensive prosperity in the new period. The implementation of the policy of economic reforms and openness has been actively carried out in all provinces in that country, thus bringing prosperity and growth to the Chinese people all over the country.

Laos and China are two neighbors who share the same ideology and have maintained traditional relations of friendship since ancient times. In recent years, the relations of friendship and comprehensive cooperation between the parties, governments and peoples of Laos and China have been even more extensively and continuously strengthened. Such relations have been maintained in various fields, forms, and colors both at the central and local levels and between joint business production units. Rapid and effective development in the relations and cooperation between the two countries has been attributed to the fact that Laos and China have maintained a long tradition of friendship which has been tested and tempered along the twists and turns of the revolutionary struggle for a long time and that the relations and cooperation between the two countries have been based on the principle of mutual respect for each other's independence, quality, and mutual benefits. All problems in the relations between the two sides have been amicably resolved with the spirit of comradeship and brotherliness, mutual understanding, and mutual trust. The most prominent event in this regard is the signing of the border agreement between the two countries. This agreement has been effectively implemented so far. Cooperation in the economic, scientific, technological, and cultural fields has also been satisfactorily developed, with prospects for a bright future.

The successes of the mutual visits by the high-level party and state delegations of the Lao People's Democratic Republic and the PRC are events of great significance, serving to brighten the atmosphere of friendly relations and comprehensive cooperation between the two countries. At the same time, they also constitute a symbol of mutual understanding, trust, and sincerity, which has become an important step for further strengthening the relations of friendship and comprehensive cooperation between the two countries.

On the occasion of the PRC national day, we, the entire Lao people, would like to extend our sincere congratulations to the Chinese people under the leadership of the CPC. We wish them new greater victories in the cause of developing the country and the socialist system in accordance with China's own style.

PRC Deputy Minister in Vientiane on Visit

Meets With Deputy Premier

BK0210034193 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 2 Oct 93

[Text] Yesterday, Khamphoui Keoboualapha, deputy prime minister and chairman of the Planning and Cooperation Committee, received in Vientiane a courtesy call from Tian Congming, PRC deputy minister of radio, film, and television, and a delegation of the PRC Radio, Film, and Television Ministry which is currently on a one-week visit to the Lao People's Democratic Republic [LPDR]. On this occasion, Tian Congming informed Khamphoui Keoboualapha of the delegation's success in the talks with a delegation of the Lao Ministry of Information and Culture as well as the success of its visit to Laos. During the visit, the PRC delegation visited the National Television Station in Vientiane, the construction site of the bridge across the Mekong River, and a number of historic places in Vientiane city and Luang Prabang Province.

The meeting between the guest and the host proceeded in a very warm and friendly atmosphere. Deputy Prime Minister Khamphoui Keoboualapha highly appraised and hailed the cooperation and assistance between the radio, film, and television branches of Laos and China in the past as well as in the present. The cooperation and assistance, he noted, have significantly contributed to further promoting and strengthening the traditional relations of friendship and solidarity between the parties, states, and peoples of the two countries.

Earlier, the PRC radio, film, and television delegation also met with Osakan Thammatheva, minister of information and culture. Huang Guocai, ambassador extraordinary and plenipotentiary of the PRC to the LPDR, also attended the meeting.

Radio-Film-TV Pact Signed

BK0210142993 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 2 Oct 93

[Text] A memorandum on the talks on radio, film, and television cooperation between Laos and China was signed at the Ministry of Information and Culture on the afternoon of 1 October between Bounteng Vongsai, Lao deputy minister of information and culture; and Tian Congming, PRC deputy minister of radio, film, and television. The memorandum specified that the two sides would organize weeks of film festivals on various important events, exchange radio and television programs as well as mass media advertisements, and exchange visits by technical personnel in the 1993-94 period. In addition, the Chinese side agreed to render assistance to Laos in producing documentary films on the occasion of the 20th anniversary of the national day of the Lao People's Democratic Republic and the 40th founding anniversary of the Lao People's Revolutionary Party.

Attending the signing ceremony were Osakan Thammatheva, minister of information and culture; Huang Guocai, PRC ambassador extraordinary and plenipotentiary to Laos; and high-level personnel concerned from the two sides.

Australian TV To Beam Educational Programming

BK3009121193 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 30 Sep 93

[Text] Soon cadres, knowledge-seekers, and students in Laos will be able to study various fields of science from Australia by themselves. An international television network operated by Australia's national television station, ABC, will begin broadcasting a educational television program throughout Southeast Asia from 5 October onward.

The international television network's director, [name indistinct], said on 21 September that the broadcasting of the education program is designed to meet the requests of the network's viewers. The television network has contracted with an enlarged education organization of Australia to include the latter's study courses for interested viewers in 15 countries in this region, including Laos.

The education program, which will begin 5 October, will include study courses in the fields of geology, botany, zoology, political science, history, accountancy, and marketing. The organization's study courses are prepared with the cooperation of nine universities in Australia. In the initial stage, this television education program will be on air 30 minutes a day from Monday to Friday starting from 1830, Lao time.

Recently, the Australian network signed a contract with the television and radio station of the PRC's Guandong Province enabling it to broadcast a program in English via the station of the Guandong provincial television network. This contract gives the Australian network an audience of more than 4 million viewers in Guangzhou, capital of Quandong Province, which has a total population of about 49 million citizens. Guangzhou is one of the areas that has attracted the largest number of foreign investors.

WFP Gives Rice to People in Luang Namtha

BK3009121593 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 30 Sep 93

[Text] A total of more than 1,000 metric tons of polished white rice, which the World Food Program [WFP] has supplied to Luang Namtha Province as relief for the people suffering a rice shortage resulting from a drought in the last production season, is being distributed to various villages. The rice is kept in barns for villagers to borrow at an interest rate of 10 percent a year. At present, 566 [as heard] tons of rice is still available for further distribution: 250 tons in Viang Phoukha District and 250 tons in Nale District.

Vietnam

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10-20-93

Phan Van Khai-Christopher Meeting Reported

BK0510145793 Hanoi VNA in English 1457 GMT 5 Oct 93

[Text] Hanoi VNA Oct. 5—On the occasion of attending the 48th Session of the UN General Assembly Vice Prime Minister [P.M.] Phan Van Khai on Oct. 4 visited Washington D.C. and met with US Secretary of State W. Christopher.

Present at the meeting on the US side were First Under Secretary of State Clifton Wharton, Under Secretary of Defence F. Wisner, and other senior officials. On the Vietnamese side were Vice Foreign Minister Le Mai, Vietnamese Ambassador Le Bang and other officials.

At the atmosphere of mutual understanding and respect, the two sides exchanged views on the bilateral relations and issues of common concern. The US secretary of state warmly welcomed Vice Prime Minister Phan Van Khai's visit to Washington and he noted that Mr Khai's presence as well as the high-level meeting in many years between the two governments in capital Washington clearly indicated that war between the two countries came to a definitive end. [sentence as received] He admitted that real recently progresses were made in the settlement of the American servicemen missing in action (MIA) issue.

For his part, Vice P.M. Khai affirmed the Vietnamese Government and people's stance to close the past and look forward the future, and build a new relationship between Vietnam and the United States conforming to the fundamental and long-termed interests of the two peoples and the trend of history. On the MIA issue, he reaffirmed that the Vietnamese Government and people have persistently regarded it as a humanitarian issue. Vietnam, he said, has done and will do its best to cooperate with the US side in the settlement of the MIA issue.

The two sides noted that the meeting marked a new step of development in the relations between the two countries.

The same day, Vice Prime Minister Khai also called on the Foreign Relations Committee of the US Senate and the Sub-committee of Commerce of the US House of Representatives. Speaking to the Vietnamese leader, Senator J. Kerry and Congressman S. Gibbons affirmed their wishes to see the US Government's embargo against Vietnam soon be lifted and the normalization of relations with Vietnam, considering it the best way to settle the outstanding issues between the countries. In reply, Deputy Prime Minister Khai reaffirmed that the Vietnamese Government and people are always ready to do everything they can contribute to building a new relationship between the two countries.

Earlier, Deputy Prime Minister Khai had a cordial meeting with US businessmen in Washington which the meeting was held by the US-Vietnam Commerce Council. Representatives of 30 American major companies specializing in finance, oil and gas, construction, information, aviation, etc. expressed their interest in investment and trading market in Vietnam. Vice P.M. Khai spoke about the current renovation process in Vietnam and reaffirmed that the Vietnamese Government would welcome US businessmen to Vietnam.

Vice P.M. Khai who is leading a Vietnamese Government delegation to attend the 48th Session of UN General Assembly visited New York City on Oct. 2. He is expected to deliver a speech at this session on Oct. 6.

Do Muoi Leaves for Official Visit to Singapore

BK0510064193 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 4 Oct 93

[Text] Accepting the invitation of His Excellency Goh Chok Tong, prime minister of the Republic of Singapore and general secretary of the People's Action Party of Singapore, on 4 October Comrade Do Muoi, general secretary of the Central Committee of the Communist Party of Vietnam [CPV], left Hanoi for an official visit to the Republic of Singapore.

Accompanying the comrade general secretary were Le Phuoc Tho, member of the CPV Political Bureau, secretary of the CPV Central Committee, and director of the CPV Organization Department; Hong Ha, secretary of the CPV Central Committee and director of the CPV Foreign Relations Department; Tran Duc Luong, member of the CPV Central Committee and deputy prime minister; Nguyen Manh Cam, member of the CPV Central Committee and foreign minister; Phan Dien, director of the CPV Central Committee Office; Le Duc Thai, assistant to the general secretary; and Nguyen Manh Hung, ambassador to the Republic of Singapore.

Do Muoi Welcomed on Arrival

BK0510131793 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 5 Oct 93

[Report by station correspondent Dao Nguyen]

[Summary] "Dear friends: At the invitation of His Excellency Goh Chok Tong, prime minister of the Republic of Singapore and secretary general of the People's Action Party, General Secretary Do Muoi and his entourage arrived in Singapore on 5 October for an official visit to this island republic.

"At 1600, a special aircraft carrying Comrade Do Muoi and his entourage landed on section one of Singapore's Changi International Airport. Brigadier General George Yeo, minister of information and arts and second foreign minister, and Singapore's charge d'affaires in Vietnam were on hand to welcome Comrade Do Muoi. A Vietnamese girl in national costume presented a bouquet to the general secretary."

Afterward, General Secretary Do Muoi left Changi International Airport for the Singapore Presidential Palace, where an official welcoming ceremony was held.

"At the Presidential Palace, His Excellency Goh Chok Tong, prime minister and secretary general of the People's Action Party, and other high-ranking Singaporean officials lined up to welcome Comrade Do Muoi and his entourage.

"At 1615, the motorcade escorting Comrade Do Muoi arrived at the Presidential Palace. Prime Minister Goh Chok Tong walked to the door of the car carrying Comrade Do Muoi to welcome him and lead him to the honorary stand, while a military band played the national anthems of the two countries. Afterward, Prime Minister Goh Chok Tong invited Comrade Do Muoi to review the honor guard."

After the welcoming ceremony, Prime Minister Goh Chok Tong invited Do Muoi to the reception room, where the latter was introduced to the diplomatic corps and other high-ranking Singapore officials. In return, Do Muoi introduced the members of his delegation to the Singaporean leaders. Afterward, Do Muoi paid a courtesy call on Singaporean President Ong Teng Cheong.

Interviewed on Goals of Visit

BK0510015593 Bangkok BANGKOK POST (INSIDE INDOCHINA Supplement) in English 5 Oct 93 p 1

[Report on "exclusive interview" with Communist Party leader Do Muoi by Suphaphon Kanwirayothin in Hanoi "last week"]

[Text] Vietnamese Communist Party Chief Do Muoi, arriving in Singapore today on the first leg of a tour that later brings him to Thailand, will be keen to learn the development lessons of both countries as the Phoenix in Vietnam rises from the ashes of war.

"I have to learn from these two countries," the party leader told INSIDE INDOCHINA last week, during an exclusive interview. He rarely grants interviews to journalists. "Will you be willing to teach us, or will you hide from us?" he added with humour.

"Vietnam wants to further accelerate friendship, cooperation, and development with countries in the neighbourhood and the region," said Muoi, pointing to another important objective of what are historic trips.

The four-day visit to Singapore, and a scheduled trip to Thailand from October 15-17, mark the Vietnamese communist leader's first visits to Vietnam's two staunch opponents during the Cold War. Singapore and Thailand previously were the most avidly anti-communist members of the Association of Southeast Asian Nations (ASEAN).

What is seen as a Vietnam-ASEAN overture was also to have taken Do Muoi to Malaysia on the first leg of a three-nation swing. Due mainly to political constraints at home, Malaysia last week asked the Vietnamese leader to reschedule the visit.

"You cannot really call it a technical hitch but they (the Malaysians) have their own affairs to tend to," the party chief said, when asked for comment.

"Friendship and cooperation between Vietnam and Malaysia are good. The Malaysian leaders had invited me to visit them a long time ago, and I believe that I will have a chance to go," he said.

A senior diplomat in Hanoi viewed the party chief's visit to ASEAN states as "logical and welcome" for a number of reasons. Most importantly, it signals true normalisation between the previously hostile neighbours.

"The party people tend not to know much about the West. They need to open their eyes, look at the mainstream, especially close to home," the diplomat said.

It is widely believed that Do Muoi and Prime Minister Vo Van Kiet engineered a series of eye-opening trips to Thailand, Malaysia, and Singapore last year by different members of the party's Politbureau. But since he was elected party leader at the Seventh Congress in June 1991, Do Muoi's only overseas trip to a non-communist country has been to India, Vietnam's traditional ally. The tour beginning today opens the first-ever opportunity for Vietnam, Singapore, and Thailand to establish personal rapport at leadership level.

"This is the occasion for the Secretary-General to exchange views with top Singaporean and Thai leaders on major regional issues of mutual concern, at the same time studying the economic and social management experiences from these two countries," said Hong Ha the party's External Relations Chief who will be travelling with Do Muoi.

Hong Ha made the statement during an interview carried by the party's newspaper NHAN DAN.

In both countries, Do Muoi and his 30-member entourage will be guests of heads of government: Prime Minister Goh Chok Tong of Singapore and Prime Minister Chuan Leekpai of Thailand.

Vietnam obtained observer status to ASEAN in July 1992 and is expected to become a full member of the six-nation grouping in due course. But Do Muoi pointedly rejected the notion that Vietnam's bid for ASEAN membership implies a desire to rally regional friends for back-up when problems arise with China. Vietnam has a long unsettled dispute with China over ownership of the Spratlys and Paracel islands in the South China Sea.

Vietnam Do Muoi says, wishes to befriend all countries in the world, first and foremost neighbouring states, in order to jointly strive for peace, development, and social progress.

"Relations between Vietnam and ASEAN stem from that fundamental interest and aim at opposing no one," he stressed.

"When I was with the normalisation delegation to China (in November 1991), we committed that the two parties and states would cooperate and have friendship for mutual development. The two sides will solve problems, historical or newly-emerging, through peaceful negotiations," he said.

Vietnamese President Le Duc Anh, an architect of Sino-Vietnamese normalisation, is reported by well-placed sources to have scheduled a visit to China next month.

"Vietnam's joining ASEAN is never directed to rallying friends to cause damage to a third country. We never think of it as a way to cope with China," Muoi stressed.

"I hope that ASEAN, Vietnam, and China can be friendly and cooperative for mutual development, for the sake of regional and individual development.... We try our best to avoid confrontation," he said.

Political rapprochement between Vietnam and ASEAN has progressed rapidly since the Paris peace agreements on Cambodia in October 1991. But while Singapore and

Malaysia have performed aggressively in Vietnam, Thailand is yet to impress the Vietnamese on trade and investment fronts.

Singapore has become Vietnam's largest trading partner, overtaking Japan in 1992, with a turnover volume of US$1 billion, according to the Vietnamese Ministry of Trade.

In 1992, Vietnam-ASEAN trade turnover stood at US$1,575 million, accounting for 2 per cent of Vietnam's total trade.

The island republic also leads the line-up of ASEAN investors in Vietnam. Should projects currently under negotiation materialise, Singapore could easily emerge top investing country in Vietnam within three years, Vietnamese and ASEAN sources said.

NHAN DAN Editorial on Tour

BK0510065593 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 4 Oct 93

["Excerpt" of 5 Oct NHAN DAN editorial: "The Relation Between Vietnam and Singapore, Thailand, and Other ASEAN Countries: A New Developing Step With Higher Efficiency"]

[Text] This is a political event with a very important significance. It clearly proves that Vietnam's foreign policy of independence, sovereignty, openness, and diversified and multilateral relations is warmly welcomed and given positive response by the regional and world public. It strongly affirms the importance of the Vietnam's foreign policy in the Southeast Asian region. It also signifies Vietnam's relations with ASEAN's neighboring countries and with ASEAN countries themselves for the benefit of peace, security, cooperation, and development in the region.

The NHAN DAN editorial clearly points out: In the past, many positive changes have emerged in the relations between our country and other nations in the region, thus opening many new prospects. Vietnam joined the Bali Treaty and became an observer of ASEAN. The fine success of Prime Minister Vo Van Kiet's visits to six ASEAN countries has helped to upgrade the Vietnam-ASEAN friendship and cooperation relations to a new, wider, and more thorough step. With more than 30 economic and trade agreements signed, ASEAN countries want Vietnam to participate in ASEAN's forums and cooperation structures.

In this visit, General Secretary Do Muoi will have a change to exchange views with Singaporean and Thai leaders on some major regional issues of mutual concern. At the same time, he can study experiences on economic and social management in these countries. We believe that this visit will contribute to upgrade the relation between our country with Southeast Asian nations, in general, and with Singapore and Thailand, in particular, to a new step with higher efficiency.

The Vietnam-Singapore two-way trade turnover increased from $112 million in 1989 to $1,319 million in 1992. Regarding Thailand, the trade turnover increased from more than $10 million in 1988 to $158 million in 1992.

General Secretary Do Muoi's visit is an important historical event, marking the acceleration of the friendship and cooperation relations between Vietnam and Singapore and Thailand. In common joy, our people wish the beloved general secretary's official visit to the two neighboring countries of Singapore and Thailand success. We hope Singporean and Thai peoples will record more achievements on their path to building happiness and prosperity in their countries.

Nation 'Technically' Pays Arrears With IMF

BK0510020393 Bangkok BANGKOK POST (INSIDE INDOCHINA Supplement) in English 5 Oct 93 p 1

[Text] Vietnam today "technically" pays its US$140 million in arrears with the International Monetary Fund (IMF), paving the way for the first loans since 1975 that are expected to go towards education and infrastructure. A well-placed source affirmed that the arrears payment "removes technical obstacles" to the World Bank and the Asian Development Bank (ADB) to proceed with specific projects to rebuild the war-crushed Indochinese state.

In coming weeks, the World Bank is expected to approve two projects: one for education and one for infrastructure, the source told Inside Indochina. Three project loans, for irrigation and flood control in northern Vietnam, rehabilitation of Highway 1 linking Ho Chi Minh City with Nha Trang, and a water supply system for Ho Chi Minh City, await formal approval by the ADB, according to AGENCE FRANCE PRESSE.

The green light for them would come after Vietnam settles its $13.5 million in arrears with the Manila-based ADB, a move expected to take place "towards the end of October".

The World Bank will be concluding negotiations on projects in Vietnam in the coming four to six weeks, the well-placed source told INSIDE INDOCHINA.

Vietnam's donors are due to meet from November 9-10 at the World Bank's European office in Paris. Through extensive negotiations with Vietnam, the World Bank has emphasised with the leadership in Hanoi the need for a development strategy that i8 "balanced" in economic and social terms so as to ensure equitable progress, the source added.

This indeed was the "message" of World Bank Governor Lewis Preston's disclosure in Washington last week that a $71 million education loan for Vietnam would be considered.

"The message is not to forget social development because studies in the success of Asia have shown that the success has been due to investment in people, in human resources," the source said.

Vietnam "officially" cleared its arrears with the IMF on September 27 after France and Japan galvanised financial support from commercial banks and representatives of 15 countries.

The move came less than three months after US President Bill Clinton on July 2 unblocked international lending to Vietnam. Being barred from access to loans from lending houses such as the IMF has been the most punishing aspect for Vietnam of the US trade embargo imposed on what was North Vietnam in 1964 and the whole of the country with the communist triumph in 1975. The US embargo remains in place under Clinton's September 13 announcement. But Clinton allowed US companies to participate in development projects funded by international financial institutions.

Thailand was represented among the 18 commercial banks, spearheaded by France's Foreign Trade Bank and Japan's Exim Bank, that put together a bridging loan of about $85 million to help Vietnam pay its IMF arrears.

Malaysia and Singapore were the only other Asian nations among the commercial banks participating in this part of the package. They were joined by commercial banks from Australia Germany, Holland, Sweden, Britain, and Kuwait. The remaining $55 million was put up by "representatives" from Japan, France, Switzerland, Sweden, Australia, Canada, Finland, Belgium, and Austria.

Plans for a bridging loan from so-called "friends of Vietnam" first came to light during the World Bank meeting in Bangkok in October 1991. At the conclusion of the effort, the Vietnam support group officially met in Washington on September 27 in the presence of the governor of Vietnam's State Bank Cao Si Kiem.

Officials of the IMF, the World Bank, and the ADB informed the meeting of the forms in which loans to Vietnam would be extended, under stand-by arrangement, systemic transformation facility, and investment in specific projects in 1993 and 1994, VIETNAM NEWS AGENCY reported.

In Washington this week procedural steps were to include the consideration—and expected approval—yesterday by the IMF Board of Vietnam's structural adjustment programme.

Today's "technical" payment by Vietnam of arrears is due to be followed by initiatives, to be made known tomorrow, for the release of IMF support. These would include authorisation for the procedure of the structural adjustment programme and disbursement of funds, well-placed sources said.

"All procedures are going on schedule, with the first projects (for Vietnam) expected to be approved by November," one source noted.

Bradley O. Babson, the World Bank's chief of mission in Bangkok, rejected earlier suggestions that there were unwritten rules whereby major contributors to funding institutions would tend to be better placed in international bidding for the projects.

"We have very rigorous requirements...for transparent procedures," he told INSIDE INDOCHINA.

Previously, an ADB spokesman in Manila stated "all major contracts for our projects are done by international competitive bidding".

Delegation Meets Fidel Castro While in Cuba

BK0410145593 Hanoi VNA in English 1402 GMT 4 Oct 93

[Text] Hanoi VNA October 4—A delegation of Vietnamese experts headed by Nguyen Ha Phan, secretary of the Central Committee of the Communist Party of Vietnam and vice chairman of the National Assembly, paid a visit to Cuba from Sept. 19 to Oct. 2 to exchange experience in the field of economy between the two governments.

During his stay in Cuba, Mr. Phan was received by President Fidel Castro Ruz. Also present at the reception were Carlos Lage, politburo member of the Communist Party of Cuba and permanent secretary of the Cuban Council of Ministers, and Jose Luis Rodriguez, cabinet minister and head of the Cuban State Committee for Finance.

Cambodia's Ranariddh on Vietnamese Residents

OW0510015593 Hanoi Voice of Vietnam in Mandarin 0830 GMT 2 Oct 93

[From the "News" program]

[Text] Recently Cambodian Premier Ranariddh, responding to a Cambodian State Television Station reporter's question, said: The issue of Vietnamese staying in Cambodia must be peacefully resolved through talks between the governments of the two countries. At present, about 3,000 Vietnamese residing in Cambodia have fled the country to avoid the Khmer Rouge's ruthless killings. They are encountering a lot of difficulties in their lives because the Cambodian Government does not allow them to return to their original homes in Cambodia.

Province To Receive $3 Million in Japan Aid

BK0310122693 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 2 Oct 93

[Text] According to a western highlands-based Voice of Vietnam correspondent, in the framework of a project formulated by the Committee for Nationalities and Mountain Region Affairs and the Ministry of Forestry, the Japanese Government has approved a $3-million-aid package in support of the settled life and settled farming and forest development program in Dac Lac Province.

The aid package consists mainly of equipment and machinery for agro-forestry product processing, capital construction, and the improvement of the people's living conditions. Some 6,000 ethnic minority compatriots at Chu Pong and Chu Ne Villages in Krong Buk, Ea H'Leo Village in Ea H'Leo District, and Sa Vam and Uyen Hamlets in Krong Nang District, which fall under the project, will benefit from the aid package.

Japan's (Mingosawai) Group, which has won the contract, will ship the equipment to Vietnam in February 1994. At present, the Committee for Nationalities and Mountain Region Affairs, the Ministry of Forestry, the Ea Sup Union of Agro-Forestry Enterprises, and the Dac Lac Province people's committee are striving to get capital and the means to receive and make good use of the above-mentioned equipment.

Australia To Finance Powerline Construction

BK0210145993 Hanoi Voice of Vietnam in English 1000 GMT 2 Oct 93

[Text] The Australian Government will provide Vietnam with $3.2 million [Australian dollars] to help Vietnam fulfill the first stage of the trans-Vietnam 500-kv transmission line. This is made known after the talks between the Minister of Cooperation and Development Gordon Bilney and Vietnamese Minister of Energy Thai Phung Ne who is on a visit to Australia.

Premier Meets Chambers of Commerce Delegates

BK0410150793 Hanoi VNA in English 1435 GMT 4 Oct 93

[Text] Hanoi VNA October 4—The 48th Conference of the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) was held here today.

In his welcome speech, Doan Duy Thanh, president of the Vietnam Chamber of Commerce and Industry, said that Vietnam, a member country of CACCI Since 1990, has made and is making efforts to develop the Vietnamese business circles and to enhance the cooperation of Vietnamese businesses with others in the region.

For his part, Mr. Ta Ca, acting minister of trade, spoke highly of the roles and activities taken by the CACCI and the Vietnam Chamber of Commerce and Industry in broadening economic, commercial relations among countries in the region.

In the afternoon, a press conference was held by the CACCI leadership on the results of the conference and the Oct. 2 Workshop on the Strategy of Development of Medium-and Small-Sized Enterprises in Asia and the Pacific under the sponsorship of the CACCI. The participants to the workshop were received later in the day by Prime Minister Vo Van Kiet.

At the reception, CACCI president, Mr. R.P. Goenka, expressed his firm belief that Vietnam would develop brilliantly and would play a more and more important role in Asia and the Pacific. He assured the prime minister that the CACCI and its member countries would contribute to Vietnam's economic development.

For his part, Prime Minister Vo Van Kiet stressed that the Vietnamese people are trying to bring the country out of famine and poverty and narrow the gap between Vietnam and developing countries in the region. To that end, the prime minister said, one of the significant factors would be the expansion of cooperation with other countries, with cooperation in small and medium industries being important. He highly appreciated the role the CACCI has played as a bridge to develop cooperation between Vietnam and other CACCI member countries.

Party Leaders Praise Exemplary Elders at Forum

BK0210123193 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 1 Oct 93

[Text] On the occasion of international day for the aged, 1 October, and the anniversary of the liberation of the capital, 10 October, the Hanoi Municipal Fatherland Front Committee held a conference in Hanoi on the morning of 1 October to cite good men and good deeds and to praise those elders of both sexes with positive achievements in the Examplary Elders Movement. Comrade Pham Van Dong, adviser to the Communist Party of Vietnam Central Committee; Pham The Viet, member of the Political Bureau and secretary of the Hanoi city party committee; and Le Quang Dao, representative of the Vietnam Fatherland Front Central Committee, attended the conference.

At the conference, along with praising examplary elders and discussing their good experiences, the Hanoi Municipal Fatherland Front Committee and responsible cadres, including Comrade Pham Van Dong, adviser to the party Central Committee, contributed many ideas about the need to continue expanding and improving the quality of the Good Men Good Deeds Movement in the capital, including the five Exemplary Elders Movements, in the period ahead.

Government Issues Ordinance on Gold Trading

BK0310120293 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 2 Oct 93

[Text] The Government has issued Ordinance No. 63-CP dated 28 September on state control over gold trading, recognizing the legitimate ownership of gold by individuals and organizations in the form of mass, stick, grain, flake, and specimen rock as well as on gold in its native state and gold jewelry. Business establishments, individuals, and enterprises with foreign investment capital may keep their gold possessions, move them around, or deposit them in banks. The ordinance defines the terms for gold trading and import to be carried out by the State Bank. Business establishments and individuals specializing in gold trading shall be subjected to the control and inspection of the State Bank and other authoritative state agencies responsible for the enforcement of legal provisions and this ordinance, including the collection of taxes required by law.

Ordinance Issued on Agricultural Land Allocation

BK0210135693 Hanoi Voice of Vietnam Network in Vietnamese 1000 GMT 2 Oct 93

[From the press review]

[Text] The government issued Ordinance No. 64 on 27 September, making stipulations regarding the allocation of agricultural land to family households and individuals for long-term agricultural production purposes. The ordinance, containing 16 articles, will go into effect on 15 October. In addition, the ordinance also provides guidance for dealing with those land areas exceeding the limit a family household is allowed to keep; for setting up local land reserve funds for use by people with potential agricultural production requirements; and for making decisions on whether a piece of land will be reserved for public utility purposes.

Seminar on Mekong Delta Planning Closes 30 Sep

BK0210155593 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 2 Oct 93

[Text] After three days of work, the international seminar on a project to carry out general planning for the Mekong River Delta closed in Ho Chi Minh City on the afternoon of 30 September. The participants noted that the lower reaches of the Mekong River basin are an area of paramount importance for those countries situated along the river. That is why Vietnam needs to carry out general planning for the Mekong River delta.

The Mekong River delta is an area rich in latent potential and plays an important role in national economic development. It is also an area easily affected by hydrological changes where the environment and many aspects of life are still fraught with difficulties.

The general planning for the Mekong River delta calls for well-prepared and steady measures to develop various natural resources.

A development and investment plan features many carefully selected projects in the fields of water conservancy, agriculture, marine products, forestry, communications, water supply, job creation, and urban development; and those projects for development of various industrial and service sectors and of the cultural and social life in the area.

So far, international organizations have given $3.7 million to the national project to carry out general planning for the Mekong River delta while Vietnam has contributed 7 billion dong to the project.

Authorities Probe Army Role in Uranium Smuggling

BK0410161893 Hong Kong AFP in English 1210 GMT 4 Oct 93

[Text] Hanoi, Oct 4 (AFP)—The Vietnamese authorities, probing a case of uranium smuggling, are focusing on army units guarding munition depots, including dumps left behind by the U.S. forces in 1975, a source at the National Institute of Atomic Energy here said Monday. The affair came to light last month, when Hanoi seized 20 kilos (44 pounds) of uranium and arrested three smugglers and a policeman accused of complicity.

The investigators are in particular investigating units in charge of chemical warfare in southern Vietnam's military districts, the source said, speaking on condition of anonymity. The units were in charge of uranium for military laboratories, as well as munition depots relinquished by American forces, he said.

After the fall of the U.S.-backed South Vietnamese government in April 1975, American munition depots fell into the hands of communist North Vietnamese troops. These depots, including a major complex at Long Binh, are currently under the control of Military Region No. 7, based in Ho Chi Minh City. Vietnam does not produce uranium itself.

"The poor management of munitions depots by certain army units is the main cause of the flight of uranuim to the outside," the source said. But he added he believed the quantities of uranium stolen were small and that the material was of low radioactivity.

"It wouldn't have great commercial or industrial value," the source said, while denouncing speculators who were taking advantage of the situation to make money. According to him, uranium had by chance been found in scrapyards on several occasions, but he declined to reveal how much uranium had been seized by the Vietnamese government up until now. The recent seizure of uranium in Hanoi was the first case reported in the official Vietnamese press.

A Cambodian source in Phnom Penh said the illegal trafffic of Vietnamese uranium to Thailand through Cambodia was extremely lucrative, with each delivery fetching up to 30,000 dollars.

The Vietnamese government decided last year to set up a special working committee to recover and deal with uranium currently circulating in the local markets—a potential health hazard—and report its findings.

The government investigation will also cover the health and civil aviation ministries, which the National Institute of Atomic Energy source said used uranium for hundreds of scientific and technical uses.

The Vietnamese press regularly reports on the theft and traffic of arms—including pistols, grenades and machine guns—in which soldiers trying to supplement their earnings are believed to be involved.

Australia

Keating Warns Opposition on Budget Bill

BK0510021893 Melbourne Radio Australia in English 0100 GMT 5 Oct 93

[Text] Prime Minister Paul Keating has issued a new threat to try to get his budget through the Parliament. He has warned that if the conservative opposition does not pass the budget in the Senate, Labor would do the same to any future conservative government. It is a major change from Mr. Keating's position before the national election last March that if the conservatives won, Labor would pass their budget measures. Parts of the government's budget have been under threat for seven weeks in the Senate where opposition parties have superior numbers.

Mr. Keating is blaming opposition leader John Hewson saying he controls 36 of the 38 votes needed in the Senate to block a budget measure. Mr. Keating has said that the obstructionism has gone beyond political capital to turning the parliamentary system on its head.

In turn, opposition leader John Hewson has accused Mr. Keating of hypocrisy, saying there is nothing new in conflict over the Senate's treatment of budgets. Dr. Hewson said the opposition, which has opposed tax increases in the budget, is trying to make the government keep its promise to voters that it would not increase taxes. The deciding Senate debate on the key budget bills is expected to begin late today with the government still to secure a sufficient support from them to pass that House.

Storms Out of Parliament

BK0510055393 Melbourne Radio Australia in English 0500 GMT 5 Oct 93

[Text] In an extraordinary move in the Australian Parliament, Prime Minister Paul Keating has stormed out of the House of Representatives ending the regular daily question time. Mr. Keating expressed frustration at the level of noise from opposition members, although the walkout appeared to be triggered by questions about the continuing impasse over the federal budget bills.

The passage of key elements of the budget has been frustrated in the upper house, the Senate, for seven weeks with Mr. Keating resorting to strident attacks on the opposition for its part in the impasse. The opposition has hit back by targeting the finance minister, Ralph Willis, who advocated similar blocking of conservative government budget measures when Labor was in opposition several years ago. In Parliament, Finance Minister Willis appeared less than confident replying to the opposition's increasingly noisy attacks.

Mr. Keating declared he would end the 15-minute question time after 25 minutes if the opposition refused to be quieter. He marched out of the chamber when the opposition refused to accede. The key budget legislation is scheduled for debate in the Senate in coming days.

Republic Advisory Committee Reports to Keating

BK0510022893 Melbourne Radio Australia in English 0100 GMT 5 Oct 93

[Text] A new report spelling out options for Australia to become a republic is expected to highlight the symbolism and the need for few major constitutional changes.

Today's release of the report to the prime minister opens the way for the next phase of public debate over Paul Keating's push for Autralia to become a republic. Political correspondent Graeham World reports the Republic Advisory Committee, chaired by Malcolm Turnbull, is expected to argue that the legal complexities can be readily resolved.

[Begin World recording] Mr. Keating asked the committee to produce options covering the minimum constitutional changes needed for Australia to become a republic. The committee is expected to identify the monarchy as the only factor inconsistent with a republic-style government, thus requiring a limited number of major constitutional changes to achieve a republic—changes addressing issues including a new head of state, appropriate powers, and the queen's role in the states. The report is believed to acknowledge the complex legal questions involved but to also dismiss as not well-founded fears that moving to a republic must involve substantial and unwelcome changes. [end recording]

Further on Committee's Report

BK0510050493 Hong Kong AFP in English 0357 GMT 5 Oct 93

[Text] Canberra, Oct 5 (AFP)—One or more of Australia's six states could legally remain a monarchy even if the rest of the country voted to become a republic, the government's Republic Advisory Committee said Wednesday. In a report presented to Prime Minister Paul Keating in Canberra, the committee said the queen would first have to agree to such an arrangement and that a constitutional provision allowing it would be advisable.

But "however anomalous it might appear" after a referendum in which the majority of Australians opted for a republic, "it would be legally possible for the constitution to allow a state to remain a monarchy within a federal republic," the report said.

The loyalist state of Western Australia has already threatened secession if Australia chooses the republican option. However, the report also pointed out that "if this outcome were not considered acceptable, the constitution could be amended so as to extend a republican form of government to all the states".

The committee, of eight prominent people headed by lawyer Malcolm Turnbull, was established earlier this year by Keating to report on the sort of republic Australia might have and problems associated with constitutional change.

It firmly rejects the fear that creation of a republic would mean political and constitutional turmoil, saying a republican head of state could replace the queen with minimal impact on the existing structure of government.

"The establishment of an Australian republic is essentially a symbolic change, with the main arguments both for and against turning on questions of national identity rather than questions of substantive change to our political system," it says. "...fears that it must involve substantial and unwelcome change to our political system are not well founded."

The constitution would have to be amended in only three ways to create a republic: setting up the new Australian head of state—more than likely to be called president—providing for the powers of the head of state and providing for the states.

Australia was a state in which sovereignty derived from the people, with the hereditary monarch the only element of the Australian system not consistent with a republican form of government.

"The only constitutional change therefore required to make Australian a completely republican system of government is to remove the monarch," the committee said.

"All the essential elements of our system of government—federalism, responsible parliamentary government, the separation of powers and judicial review of legislation and government action—would be unaffected by such a change."

"If Australians through the referendum process do decide that they wish to have an Australian citizen as head of state, our existing system of government will be affected only to the extent that Australians desire it."

Although the committee did not make formal recommendations, it appeared to favour election by "super majority"—a two thirds majority of joint sitting of the House of Representatives and upper house Senate. Another option canvassed was election by the people. But the committee warned this could encourage the head of state to believe that he or she has a popular mandate to exercise the powers of office, including the ability to make public statements and speeches in a manner which could bring the head of state into conflict with the government.

The report recommends efforts to enshrine in the constitution the powers to be exercised by a head of state in a republic, pointing out that codifying the unwritten constitutional conventions would remove political uncertainty and ease community concerns about possible abuses of power. It also canvasses means by which the head of state could be dismissed if the circumstances warranted it.

Keating Assesses Report

BK0510061693 Melbourne Radio Australia in English 0500 GMT 5 Oct 93

[Text] The debate on whether Australia should become a republic has moved to a new phase with the prime minister's Republican Advisory Committee presenting its final report on the issue. The committee has found the shift would require only minimal constitutional changes and no change to the current conventions and practices of government.

Linda Mottram reports from Canberra the report took five months to prepare and has quickly sparked new exchanges between pro- and anti-republican forces:

[Begin Mottram recording] The committee has found the only element of Australia's system of government that is not consistent with the republic is the British monarch, who is currently Australia's head of state represented by the governor general appointed on advice from Australia's prime minister, and the report says fears of substantial and unwelcome change to the political system by moving to a republic are not well-founded.

The report says it is a symbolic matter turning more on questions of national identity than on substantive political change. The report links toward establishing an office of president with similar powers to the current governor general elected by a two third majority of both houses of the National Parliament, and it makes suggestions about specifying and containing the powers of the head of state—the area of most controversy since the current governor general is able to dismiss governments.

Australia's conservatives say the report offers nothing new. They say the need for and benefit of a republic still remains to be established. The prime minister says the report is substantial, thorough, and professional. He has set up a working party of senior ministers to develop an issue paper for the federal cabinet in the first half of next year. [end recording]

New Zealand

Officials Meet Visiting Chilean President

PY0410213193 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1800 GMT 4 Oct 93

[Report by Arturo Harlem from Wellington, New Zealand]

[Text] President Aylwin is securing good trade deals in New Zealand. The president is carrying out an intense agenda in this Pacific basin country.

During a conference before 200 New Zealand businessmen, the two governments said it is better to work together than compete for the international market. Both President Aylwin and New Zealand Commerce Minister

Philip Burdon said mutual cooperation will make them stronger in facing the protectionist measures of some countries.

President Aylwin then visited the University of Auckland, where a group of demonstrators gathered to protest his visit. It was a group of mainly Chileans living in New Zealand, who accused him of continuing the military regime's policies.

[Begin Aylwin recording] They do not understand that my government, instead of continuing the dictatorship, has on the contrary re-established democracy in Chile. Some of the demonstrators shouted at me: Murderer! I never killed anyone nor have I ever been an accomplice to a murder. These excited people are just saying slogans without knowing what they mean. [end recording]

President Aylwin met in the afternoon with New Zealand Prime Minister James Bolger in Wellington, New Zealand's capital. Bolger promised that New Zealand would endorse Chile's admission to the Asia-Pacific Economic Council. This is the most important economic group in the area, and if Chile is admitted it will be the first Latin American country to join.

This is the official residence of the representative of Queen Elizabeth II in New Zealand. President Aylwin will spend the night here with part of his official entourage. Tomorrow after lunch, President Aylwin will depart for Sydney, Australia, to begin the second part of his tour of Oceania.

Government Urged To Block Dumping Waste in Tonga

BK2909063993 Melbourn. Radio Australia in English 0500 GMT 29 Sep 93

[Text] The New Zealand Government has been called upon to take immediate action to oppose a reported plan to store toxic waste from California in Tonga.

The minority Alliance Party in New Zealand has called on the government to give full backing to those Tongan members of parliament who are mobilizing opinion against the scheme. The Alliance says the Pacific should not be seen as a dumping ground for the environmental problems of the United States. The Alliance said the New Zealand Government should take action through the South Pacific Forum to get the proposal blocked.

Tonga's prime minister, Baron Vaea, says the proposal is to store 35,000 barrels of waste a year on the island of Niuafo'ou, earning Tonga $5 million over 10 years. Several commoner MP's in Tonga have warned the government that the plan could lead to a revolt among the Tongan people.

Solomon Islands

Bougainville Revolutionary Army Office To Close

BK2909062593 Melbourne Radio Australia in English 0500 GMT 29 Sep 93

[Text] The Solomon Islands Government has decided to close the office of the Bougainville secessionists—the Bougainville Revolutionary Army [BRA]—in Honiara. The movements of the secessionist representatives in Honiara will also be restricted. The announcement came during talks between Solomon Islands Deputy Prime Minister Francis Saimala [name and title as heard] and Papua New Guinea's prime minister, Paias Wingti, in Port Moresby yesterday. It is part of the new Solomon Islands administration's six-point plan to normalize relations with Papua New Guinea. Welcoming the decision, the North Solomons provincial administrator, Sam Toulu, said it would help speed up the process of resolving differences between Bougainvillians and BRA leaders and the Port Moresby government.

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[Text] **Members of the Commission To Study Basic Problems Concerning the Stock Market**

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Vice Chairman Mitsuo Sato; vice chairman, Tokyo Stock Exchange
—Aoki Akira; president, Japan Securities Finance Co.
—Masaaki Ide; director of research, Nomura Management School
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—Masashi Moroi; chairman, Chichibu Cement Co.
—Masanori Yashiro; representative in Japan, City Bank, N.A.

Report of the Committee To Study Basic Problems Concerning the Stock Market

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Introduction

Joint stock companies provide the basic framework through which economic and manufacturing activities are carried out in private enterprise market economies. For the sound growth of our economy, then, we would want the stock market to be able to function efficiently and with stability. With the collapse of the so-called bubble economy, however, Japan's stock market has fallen into a long slump. This is especially true of the issue market, which has virtually stopped functioning. Although the various measures that have recently been introduced, including steps to reinvigorate the market, are expected to lead to its recovery, the stock market, like other economic activities, is still undergoing a long, painful process of adjustment.

Explanations of what brought on this situation are not limited to the economic factors that gave rise to the "bubble" nor to problems in the issue and secondary markets. Often indicated is the existence of basic, structural problems surrounding Japan's stock market—in particular, the market's pricing practices and the structural factors that have made those pricing methods possible.

Our study group felt it would be useful to sort through and analyze the various problems that we felt would eventually have to be looked into and addressed if our economy is to continue to develop and show steady growth. Rather confining ourselves to factors within the stock market or during the bubble period as way of understanding the background for the structural problems surrounding the stock market, we have tried to take as broad a perspective as possible, considering not only the postwar development of the stock market but its relationship to Japan's socioeconomic development as well.

Discussions of this type have already been widely carried out, some urging systemic changes and policy responses to problems in the stock market. We felt, however, that it would be a long process, covering many different fronts, before there would be sufficient information to reach any conclusions or to recommend specific policies and responses. We felt, moreover, that the parties concerned—those who are connected with activities of the stock market, including fund-raisers, investors, intermediaries like brokers, and public regulatory agencies—should be involved in the long process leading to solutions to the market's problems. In this report, therefore, we have sought to sort through and analyze our material with the primary objective of identifying the basic problems surrounding the stock market based as much as possible on a common understanding of those problems by those parties concerned.

June 1993

I. Function of the Stock Market

The basic function of the stock market is to allocate funds efficiently by setting the price of shares on the market. From the respective points of view of those participating in the market, this means: 1) providing corporations, who are the "demanders" of funds, the opportunity to raise funds, and 2) providing investors the opportunity to invest their assets. Accordingly, for the healthy development and growth of the economy, it is important to give full play to the stock market's role in the economy along with that of the bond market and other financial participants.

Specifically, 1) in terms of its fund-raising function, the stock market, by providing long-term, risk-bearing funds, makes it possible for businesses to distribute their risks and have them borne by the market and its participants; 2) the market opens the way for investors to participate in corporate management and have access to corporate earnings; and 3) through the process of setting prices, the stock market also provides a way of assessing the value of companies and also provides for an efficient distribution of funds based on a company's earning performance.

From this perspective, it is extremely important to fund-raisers, investors, and others connected with the stock market that highly reliable, stable pricing occurs so that the market can function efficiently and smoothly.

II. Concerning Japan's Market

A. Characteristics of Shareholding Structure

1. Postwar Economic Growth

Postwar Japan's high-level economic growth was based on technological innovations, a large, skilled labor pool and a high savings ratio; but what made these things possible is a corporate management style that is considered typically Japanese. It is a style that gives importance to corporate growth and to the benefits and interests of employees in a system which includes company-based unionization, lifetime employment and promotion based on seniority, and also values ongoing, long-term relationships with banks, customers and other company-related businesses and personnel. These have made for long-term, stable corporate management, which in turn has made it possible for corporations to realize continuous development and growth.

2. Increase in Corporate Shareholders

The market developed and expanded together with the economy. During this process, there was a broad increase in long-term, stable corporate stock ownership. There were two primary reasons for this growth:

(1) "Stakeholders" could strengthen their relationship with other companies through cross-shareholdings [*mochiai*]. Shareholders included client companies, affiliated companies, main banks, and others who wanted a stake in the others company.

(2) By having strong, stable shareholders, corporate managers could entrust shares in their company to friendly investors, preventing unfriendly takeovers, and strengthen their management base.

This kind of corporate shareholding began in the 1950's as new keiretsu were formed following the breakup of the prewar zaibatsu [conglomerate] groups and started to increase steadily from the latter half of the 1960's as companies tried in earnest to increase their base of strong shareholders in response to capital deregulation and possible buyouts. The latter half of the 1980's saw further increases in cross-shareholdings as a widely used source of equity financing.

3. Position of Individual Shareholders

This kind of shareholder structure made long-term, stable corporate management. Corporate shareholders, however, were less interested in dividend earnings than in such long-term, comprehensive benefits as an expanding business based on corporate growth and larger internal reserves, and the idea of low dividends gradually came to be accepted. The interests of the individual shareholder, in this sense, came to be ignored. With a growing economy, however, stock prices continued to climb, and investors at the time were able to realize capital gains and be assured adequate profits.

B. Trends in the Secondary Market

The secondary market originally played host to a variety of investors who were motivated by different objectives. Some were motivated by long-term goals, others by short-term objectives; some were interested in investing their money, others entered the market for speculative purposes; some were interested in capital gains, others in dividends. This mixture gave the market its stability and dynamism. However, under the shareholding structure earlier mentioned, corporations held on to their shares in client companies, even those doing poorly, thus clogging the gears of machinery meant to adjust stock prices on the basis of supply and demand.

Entering the 1970's, the market saw a marked increase in capital due to shares being issued at market value. There continued to be a strong tendency, however, to base dividends on par, or face, value. Thus, while the issuer came to realize that market value shares were a low-cost method of raising funds, for the investor, this meant gradually lower dividend yields.

Gradually, this also meant that the market's main participants were investors whose objective was short-term holdings or who would sell or buy shares in order to realize capital gains. Investors for whom the objective was long-term holdings or dividend earnings found it harder to participate in the market, and a secondary market took shape where short-term speculative investments took center stage.

With the secondary market taking on this character, corporations headed into the bubble period, aggressively participating in short-term buying and selling through trust banks handling specified money trusts [tokkin] and fund trusts in order to realize capital gains on their investments. This short-term motive in trading shares became more and more popular on the market.

C. Influences on Price Formation

1. Usual Views on Price Formation

Generally, "share price" is thought of as the current value of a share, where the discount rate (interest + risk premium) has been deducted from a corporation's expected future earnings. In fact, it is difficult not only to predict accurately what a company's future earnings will be, but also the discount rate to use in order to convert expected earnings into the current value of shares. It is not easy, therefore, to find any definitive reason for pricing trends or for the price levels that are finally established. This is all the more reason to liken an investor's actions to what Keynes has called "beauty contest" investment behavior (the investor looks around and tries to predict how other investors will act and then bases his actions on those predictions rather than on estimates of a share's long-term earnings). In the short-term, prices thus frequently end up being set on a basis one would be hard put to find substantive economic reasons for. In the long-term, however, prices are, in fact, thought to reflect corporate earnings and other substantive economic measures.

2. Share Price Levels in Japan

Since the mid-1970's, the price of shares has been set at comparatively higher levels in Japan than in the United States when measured against price earning ratios (PER), a criterion often used for investments, and that this gap between the two countries became quite noticeable about the time of the bubble economy. Again, in the case of yield spread, the difference between long-term interest and the yield one gets from shares on the market, we notice, too, that in the United States, yield and interest levels are about the same; in Japan, however, as in the case of price earnings ratios, yield has always been lower than the long-term interest rate since about the mid-1970's. Thus, the price of shares has been set higher than other highly stable assets. It seems, then, that in recent years the value of shares as earning assets has been set at levels which would be hard to explain in terms of generally used investment criteria.

3. Price Formation in Japan

How does one explain the fact that the price of shares is set at levels which are hard to understand by generally used investment standards?

First, we considered the future earnings that investors get from their shareholdings. The market has seen more and more corporate investors who have cross-shareholdings. We wondered if these investors are motivated by more than just direct monetary gains? In addition to dividend earnings and other direct gains, they may often be motivate by indirect benefits, such as those gained from stronger business relationships. (The latter also often includes nonmonetary considerations such as corporate protection.) Another factor, we thought, might be the investors' expectations of high earnings growth, possibly as a reflection of Japan's long-term economic growth and international competitive strength.

Next, we considered discount rates. Until now, it seems that investors have had few options other than shares in which to invest their assets. This lack of choice may have led to the situation where interest rates, one of the bases for establishing discount rates, were different for each investor. Risk premiums, the other factor in determining discount rates, may have been low, or thought to be low, because of the uniquely Japanese main bank system.

Another factor which may influence price setting in Japan is lack of diversity—both in terms of its investors and in terms of its corporate participants; horizontal competition among companies, for example, is thought to have prevented them from diversifying.

D. Ballooning Share Prices During Bubble Period

The latter half of the 1980's coincided with the so-called bubble period. During this period, the value of shares, as earning assets, reached levels on the market that are hard to explain by the investment standards that are commonly used. Due to a large current surplus at the time, monetary restrictions were relaxed and, as this situation continued, investors came to understand that the long-term trend was toward low interest rates. A large volume of capital thus came into the market and because there were buyers, share prices rose, and because prices rose, there were buyers. With that kind of spiraling, speculative trade occurring on the market, the price of shares was set loose from its moorings and allowed to soar. The ballooning value of hidden assets that accompanied the rise in land values also had a significant impact on share values.

Thus, we can understand how share prices during the bubble period were formed through a combination of factors: structural factors such as those described above,

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which developed over time, and the relaxation of monetary regulations following the 1985 Plaza Accord, which also continued over a long period of time.

As we can see in the collapse of the bubble economy afterwards, steep rises in share prices such as those that occurred will always, at some point or another, be subject to adjustments through the market mechanism, but in the process, the impact will not only be felt on the market, but also on the economy, the financial system, and, in particular, on the day-to-day household economies of the average citizen.

First the issue market begins to malfunction and corporations have a hard time raising stable "risk money," which is essential to their growth.

Next, since large amounts of shares are held by financial institutions and corporations in Japan, a big drop in share prices might lead to a drop in earnings for corporations, including financial institutions, and invite problems when accounts are settled and also have a strong impact on the economy.

The valuation of stocks and bonds at the end of an account term has an important impact on yearend profits. Because of various closing account measures that companies take, they tend to be overly concerned about maintaining March price levels, since the settlement of account period comes to a head in March. This situation might also prevent prices from being set efficiently, or reflecting true supply and demand, it was pointed out.

E. Problems Concerning Price Formation, Directions for the Market in the Future

1. Problems in Price-Setting Process

As Japan's postwar stock market was structured more and more around corporate shareholders, the secondary market took on a more speculative nature, distorting the way the price of shares was set; these developments, in turn, laid the foundation for a steep climb in share prices during the "bubble" period, as was noted previously. We asked ourselves what sorts of problems arise when prices continue to be set for shares as earning assets at levels not easily explainable by generally used investment criteria.

First of all, to the degree that investors are unable to make informed decisions about share values based on the usual standards that are used, pricing itself is unstable, thus making it easier for steep inflationary increases in prices.

Second, it is difficult for individuals who want to make long-term investments to put their money into an unstable market. Stocks used to be one of the best ways for companies to invest their pension funds or for individuals to invest their financial assets. But when prices are set in the manner described, potential investors may begin to worry about the day when share values are readjusted and may be forced to make hard decisions when it comes to choosing a stable, long-term investment for his assets.

Third, it was pointed out, those who need to raise funds through the market may find it hard to get stable equity financing.

Fourth, although Japan ranks with the United States and England as one of the three largest financial markets in the world, in a day and age when we are seeing global transfers of funds, the international community may lose its confidence in Japan's stock market.

2. Directions for the Market in the Future

At a time of change—we are moving into a mature economy, national values are changing, international trade relations are worsening, and there is a new awareness of global environmental problems—our economy and our Japanese brand of management are at a major turning point.

To overcome the long, painful process of adjustment following the collapse of the bubble economy and respond appropriately to these environmental changes, Japan's market must function smoothly and efficiently. We asked ourselves what must be done to ensure this stability and efficiency in the market. What does each of the parties concerned (fund-raiser, investor, stock broker, regulating agency) perceive as problems in their respective areas? How must they approach the solution to these problems? The following sections advance the discussions that were held in each of these areas.

III. Problems Concerning Corporations

Corporations play several roles on the stock market: they issue shares to raise funds (issuing company), they own shares in other companies through cross-shareholding (corporate shareholders), and they invest their assets on the market (investors). Although their different roles should really be treated in an integrated fashion, their role as issuing company and the problems related to this role are taken up in the present section. Their roles as corporate shareholders and investors are taken up in Section IV.C, and their relationship to intermediaries in Section V.B.

A. Efficient Use of Capital

The mainspring from which shares derive their value are corporate earnings, but in order to attract investors, corporations have to improve their earnings by efficiently investing the capital they have raised. In this respect, the rate of return on earnings, ROE, an indicator of the profitability of stockholder equity, has to be made the attribute of corporate management. Not only is ROE an important measure for market investments, it can become one of the most important criteria for setting prices in the future, it was pointed out.

In order to improve corporate earnings, it is necessary, in addition to restructuring companies and reexamining the nature of Japanese-style management, to improve capital earning ratios by aiming for liquidity and making low-earning assets such as cross-shareholdings and unused land and real estate more profitable.

Requirements for the accurate disclosure of a company's actual financial situation may also provide a basic incentive to businesses to improve their efficiency. It would be beneficial, it was also pointed out, for off-balance-sheet accounting methods, the valuation of holding assets, etc. to be examined and revised, while having them brought more into line with international practices.

B. Understanding Capital Cost

Next, views were expressed about the large volume of equity financing that was carried out through the market by corporations during the bubble period.

First of all, the importance of corporations understanding the cost of capital was pointed out.

Also pointed out in regard to equity financing during the bubble period was the relatively weak understanding of capital cost that companies had. Part of this was attributed to the "horizontal way of thinking" of the Japanese. In any case, some part of the funds raised by corporations went into market investments, and the entire amount was not necessarily put to efficient use, a fact that is related to inefficiencies in Japanese corporate management.

The market mechanism naturally supplies additional shares when their value is high. This is not a problem of corporate behavior. When large amounts of equity financing occur regardless of a company's earning strength and the market fails to reflect the long-term value of shares, the problem lies in the market structure, itself, it was pointed out. Another point to be brought out with regard to equity financing concerned the need to look into accounting methods to facilitate an accurate understand by corporations of the cost of capital. So that corporations can select the best mix when raising funds, it is necessary, according to one of the views expressed, to make sure that both the bond and stock markets are better equipped to handle corporate financing needs.

It was also pointed out that, with Japan's cross-shareholding structure and "horizontal consciousness," excessive equity financing might occur again in the future and that some kind of early warning system was needed. This was countered by the view that outside intervention in the market was undesirable and, as it will be argued later, that if the market were structured primarily around "net investors," some of the problems in the market would naturally go away.

C. Restoring Corporate Earnings to Investors

Improving corporate earnings is a basic consideration if we want to make market investments more attractive to potential investors. Another important consideration how, ideally, we might put those earnings back into the hands of investors. Under the market's current shareholder's structure, Japanese management has generally been more concerned with their company's growth and with building up their internal reserves than with increasing dividends. As a result, investors have seen a return on their investments that has mainly been in form of capital gains. As the economy moves into a period of stable growth, it will be important for companies not only to consider capital gains but also income gains (dividends) for their investors.

At present, Japan's average payout ratio with regard to dividends is about 40 percent, which is relatively low compared to payout ratios in the United States and England. Of course, these are averages, and there are relative differences among companies. Those with extremely low payout ratios need to improve them. With stable growth, companies have diversified their operations and dividend policies differ from company to company according to their degree of diversification and their stage in development—for example, venture enterprises build up their internal reserves and return earnings to investors in the form of capital gains while public corporations and mature corporations emphasize income gains (dividends). It is important that the market takes these differences into account.

D. Problems in Relationship Between Companies and Shareholders

Related to our discussion about the rationalization of corporate management and the return of corporate earnings to investors, we next took up the question of qualitycontrol: who would monitor the performance of companies and how would this be done?

In Japan, it is generally understood that companies are the "property," so to speak, of those who run and operate them, namely, their managers and employees. From the perspective of the shareholder, their efforts to rationalize their companies or to give some portion of their company's earnings back to investors may not always have been adequate. Here, some members of our study group felt that it would be necessary to return to the idea that companies belong to their shareholders. On the other hand, it was pointed out that it would be very difficult to change already established social perceptions of companies as belong to their managers and employees and that the problem could be better solved by placing more emphasis on shareholder profits.

In fact, monitoring does occur through main banks, cross-shareholders, the market, employee unions and such. But these avenues may not necessarily be adequate in terms of making companies more efficient or returning corporate earnings to the investor. Various views were expressed as to the direction of future reforms. The main points of the discussion follow:

1. In regard to monitoring corporate performance, we anticipated that steps will be taken to continue implementing regulations in the revised Commercial Law Act to introduce outside auditors and a better auditing system.

2. In Japan's joint stock companies, directors are primarily appointed from within the company, and it is difficult to get them to reflect the interest of shareholders in the company's management and operations. Using the United States and Germany as a reference point, companies need to look into outside appointments for their board of directors.

3. So that corporate operations and finances have greater transparency, information more closely approximating a company's actual state of affairs should be made available through timely disclosures, through information regarding the current value of asset holdings and through consolidated financial statements for an entire corporate group; along these measures, those in the top levels of management should reconsider the balance between corporate and shareholder interests, it was thought.

4. The expectation is that trust fund investors (see IV.C) will review companies in the interests of their beneficiaries in terms of corporate efficiency and profit returns.

5. Share values on the market also provide an important clue to corporations and, for that reason, in addition to fuller disclosures about companies, it is necessary that analysts study this information and provide an analysis of a company's earning power and other such factors.

IV. Problems Concerning Investors

A. A Common Perception Regarding the Investor

In order for the market to carry out is essential role, when share prices are set, they must be based on the market principle; in other words, they must fully reflect the expectations and decisions of the investor with regard to corporate earnings and other relevant factors. It will take time, but for that to happen, "net investors"—those who are motivated by profits to purchase shares and expect a return on their investments in the form of dividends or capital gains—must become mainstream market participants. Everyone concerned was unanimous on this point. The following sections take up the problems of the individual and corporate investor.

B. Problems Regarding the Individual Investor

Individual investors have steadily lost their share of the market. This is true both in terms of the percentage of all shares held by individual investors and their share of the total volume of trade conducted on the market. This is particularly true in terms of their holding ratio: individual investors in Japan now hold only 20 percent of the value of all shares. This figure is relatively low when compared to the United States, where individual investor holdings account for 50 percent of all shares. Noteworthy, we felt, was the fact that, in the United States, individuals often received advice from investment counselors when investing their assets.

Although individuals have more financial assets, a smaller percentage of those assets go into shares, partly because they find it less attractive to invest in the market. It has become more difficult for them to take advantage of an important approach to asset formation—namely, market investments—and also to participate in the fruits of corporate growth, it was pointed out.

Potentially, individual investors have all the essential requirements to enable share prices to be set efficiently on the basis of the market principle: 1) They are price-conscious shoppers; 2) Unlike corporate investors, they do not make so-called policy investments; 3) They are not restricted in the length or term of their investments; and 4) They use their own judgment in making investments rather than looking right and left to see what others are doing.

In the long run, in order to create an efficient market (one based on the market principle), efforts are needed to eliminate the obstacles that prevent individuals from making investments on the market. It is also very important that the environment exist to facilitate their entry into the market. The specific measures, which were indicated, are as follows:

1. First of all, investments should be made more attractive. Corporations must try to rationalize their operations and improve their earnings; at the same time, dividend policies should take into account higher payout ratios and the interests of the shareholder. Measures should also be taken to adjust the unit size of investments, for example, reducing the size through stock splits.

2. It is necessary to further improve the information disclosure system in order that investors have timely access to required information and the market has more transparency. It is also necessary for companies to provide investors with information about future business plans through an information retrieval [IR] system. Care should be taken that such information, when volunteered, does not have a self-serving influence on the price of shares.

3. It is necessary to further improve the existing employee shareholding system.

4. In order to restore the confidence of individual investors, it is necessary that securities companies, intermediaries between their clients and the market, be thoroughly client-oriented, such that the client's interests come first, and are able to respond to the diverse needs of their individual investors. In other words, a better match is needed between the services companies offer and those that the investor needs.

5. Those connected with the market should see to it that information is widely available to individual investors regarding internationally used investment criteria such

as price earnings ratio (PER). They need to launch an aggressive campaign to educate others to the basic principles of stock investments and impart to them a sense of the stock market as a "national treasure" which belongs to all Japanese.

C. Problems Regarding the Corporate Investor

For the sake of discussion, the report roughly divides corporate investors into one of two categories: 1) "Trust fund investors" have been entrusted by others, including investment trust companies, life insurance companies, and trust companies, to invest their funds for them. 2) "Other corporate investors," whether business corporations or financial institutions, are interested in investing funds on their own behalf, rather than as trustees or in someone else's behalf.

1. Problems Involving Trust Fund Investors: Policy Investments and the Emergence of the Institutional Investor

a. Problems Related to Policy Investments

Trust fund investors are responsible for efficiently investing the assets of others who will be the beneficiaries of those investments. If we look at the investments of these institutions, however, we notice that there is little distinction in their behavior between net investments and policy investments. This brings up problems in terms of their responsibilities towards beneficiaries. The following were mentioned:

(i) To give beneficiaries a better handle on the outcome of these investments, an independent (neutral), non-government agency should be established to evaluate the performance of investments and steps should be taken to provide fuller disclosures regarding the status of asset investments, including the introduction of more detailed accounting and auditing methods.

(ii) It is necessary to encourage greater competition among trust fund investors through the deregulation of insurance premiums and dividend rates and by relaxing product restrictions.

(iii) It is necessary to clarify the responsibilities of fiduciaries and trustees; for trust fund investors, particularly those entrusted with pension funds, a prudent man rule like the one used in the United States is needed.

b. Emergence of the Institutional Investor

Based on current trends, the market is expected to see more and more institutional investors. As the idea of company pension plans catches on and spreads, for example, the market is expected to carry a greater volume of pension fund investments; smaller investments, left to institutional investors such as investment trusts to handle, are also expected to increase as a result of greater efficiency and rationalization in economic activities. As long as reasonable prices are set, this sort of growth in institutional investors is not expected to have any particularly adverse effects on the market.

Concerns were raised, however, about the investment behavior of trust fund investors. For example, there was concern that the growing presence of such investors might add to the market's instability, for they are known to act uniformly and have often been responsible for trading large volumes of shares, constituting major investments, at a moment's notice. Another concern was that trading on the market, when not based on the earnings of individual companies, such as in the case of index selling and buying, might lead to problems which would, in turn, make it harder for small investors to participate and thus rob the market of its diversity and also lead to less market efficiency.

The uniformity exhibited in the investment behavior of trust fund investors is not inherent to such institutions but is due rather to various investment regulations and restrictions. In order that institutional investors show more diversity in their behavior, we considered the following:

(i) Company pension funds are long-term or midterm funds and should have no relation to policy investments. The primary role of trust fund investors with regard to these funds should be as fiduciaries who have been designated to carry out net investments, and the proper environment should be set up to facilitate investments from that perspective.

Proscriptions on the behavior of trust fund investors should be reconsidered and greater competition must be encouraged. Specifically, we felt that behavior intended to realize short-term profits on pension funds should be changed. The method of valuating assets based on their book value should also be revised, and uniform investment ratio restrictions on investors should be relaxed and an independent, non-government agency should be established to assess investment performance.

(ii) It was felt that investment trusts were not necessarily fulfilling the roles expected of them and that it was necessary for them to develop products that are able to respond to the diverse needs of the investor and for them to improve their investment performance.

Toward these ends, it was felt that fuller disclosure was needed in regard to content of products, including their risk properties, that product regulations should be relaxed, that appropriate methods should be instituted to evaluate investment performance, that more participants [companies] needed to be encouraged to enter the investment trust field, that buying and selling rules needed to be diversified; and that a study should be undertaken to look into company-styled investment trusts. It was also felt that measures should be studied to increase the independence of investment trust companies affiliated with securities firms through keiretsu connections in order to increase the independence of such investment trusts so that their investments would show more diversity.

2. Problems Involving Other Corporate Investors: Cross-Shareholding and Corporate Investments

Next, because the growth in the market of corporate shareholders was felt to be a major reason for distortions in the process by which share prices were set, discussion turned to the problems of the corporate investor.

a. Cross-Shareholding and Price Formation

Corporate shareholdings can be divided into two broad categories: those where shares are bought in another company for the purpose of building up one's cross-shareholdings and those that are profit-oriented. To begin with the former:

Cross-shareholding investments have two objectives: to establish stable, lasting business relationships between companies and to secure and maintain the rights of management for corporate shareholders. While such investments are thought to be one of the sustaining forces behind Japanese-style management, there are also problems associated with them. It was pointed out, for example, that cross-shareholders, in voting together on matters, may not provide adequate "checks" on management; that nominal capital increases through cross-shareholdings go against the principle of capital repletion and may be damaging to the health of corporate finances; and that competition may be restricted when firms choose which company they will do business with on the basis of whether or not they are cross-shareholders rather than on the content of their services or other purely financial considerations. It was pointed out, moreover, that such practices may be one of the reasons Japan is accused of having a closed market by foreign countries.

As we can see, there are various opinions about cross-shareholding, and it is difficult to assess its relative merits. In regard to its impact on price formation and market structure, the following points were made:

(i) Because cross-shareholders are motivated to buy shares by considerations other than profits, including indirect benefits (such as protecting their companies [from stock take overs]), distortions in the process of setting share prices is more likely to occur as cross-shareholding increases than when the market is primarily structured around net investors who are motivated by profit.
Cross-shareholding may also lead to a situation where there are fewer buyers and sellers on the secondary market and the market loses its ability to set prices smoothly and efficiently.

(ii) Through cross-shareholdings, managers may gain greater control but this has also been associated with lower dividend yields and less efficient management. Furthermore, when equity financing has been obtained within a cross-shareholding framework, profits per share have, in fact, shrunk, leading to profit-losses for existing shareholders. As a result, individual investors have been leaving the market and the market is being structured more and more around corporations.

Next, the discussion turned to changes we might expect to see in the present cross-shareholding phenomenon. The change, when it came, would be slow, it was thought. Part of the change might come from considerations of management efficiency. From this perspective, it was thought that more and more such cross-shareholdings would be unwinding in the future. Cross-shareholdings have acted as a source equity financing from the latter half of the 1980's, and when considered from the perspective of holding costs, the opinion again was that such holdings would unwind in the future. On the other hand, some felt that because the motive for cross-shareholdings was deeply rooted and had on its own sort of economic rationale, it might not be so easy, even in the future, to dissolve such bonds.

The following, related points were also brought up:

(i) Arguing that cross-shareholdings have had an adverse effect on supply and demand, some participants felt that by eliminating or reducing such holdings, this effect on the market could be reduced. Thus, they felt that the feasibility of relaxing restrictions on companies acquiring their own stock should be examined, as well as Japan's employee-holding system and its system of holding companies.

(ii) Policy investment needs are met, for example, through issues which give investors multiple voting rights but no dividends. It was felt that the market should be diversified and other means found to meet investor needs.

(iii) If incentives to dissolve cross-shareholdings prove to be weak, then it was suggested that disincentives or other countermeasures be looked into.

Since banks are among the most important corporate shareholders, it is necessary to take a critical look at their ownership of risk assets and the influence their shareholdings may have on price formation or the structure of the market.

b. Corporate Stock Investments

It was pointed out that it would be one thing if corporate investments are made on a short-term basis using surplus funds; it would be quite another if they are made for the dual purpose of raising funds and investing assets. In the latter case, there would be a problem in terms of management efficiency.

Tokkin [specified money trusts] funds, though requiring a special account, are still a brisk source of securities investments, it was pointed out.

V. Problems Concerning Intermediaries

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A. Nature of the Problem

The role of the securities company vis-a-vis an issuing house is to underwrite new issues and act as its selling agent; vis-a-vis an investor, it is to act as his agent in selling or buying shares and to provide him with information and advice regarding his investments; and otherwise, to serve as a market "maker" or developer. In fact, however, several problems were pointed out in regard to its role vis-a-vis these parties. In terms of the issuer, securities firms have tended to underwrite questionable issues; in their relationship to the investor, they have not provided adequate information about investments, having lost sight of their own responsibilities in this regard; and guided by policies which were too heavily oriented toward buying and selling shares, they have tended to engage in high turnover buying and selling in order to increase their earnings from commissions.

It would be hard to say, then, that securities companies have been adequately aware of the importance of their social responsibilities as intermediaries; nor can we say that existing regulations have been adequate to the job of forcing them to carry out those responsibilities. What is important, rather than expending their efforts on expanding their businesses, is to reaffirm the importance of their role as one of the mainstays of the securities market, which is, they should realize, an important "national treasure" belonging to everyone.

The environment surrounding securities companies is made up of three elements: their association with two of these elements, issuing companies and strong (corporate) shareholders can be characterized as a closed, fixed relationship; that with the third element, the general investor, can be characterized as an open relationship. Any consideration of the basic problems relating to securities companies should therefore also include their structural relationship to issuing companies and to corporate shareholders.

B. Problems in Relationship Between Intermediaries and Issuing Companies

Securities firms receive significant benefits by way of having strong, stable relationships to issuing companies. The oligopolic situation that exists in the underwriting business has tended to engage securities companies in an overly competitive struggle to land the role of lead underwriter when issues are brought out. On the other hand, under a system of fund raising that is structured predominantly around indirect financing and does not fully see the securities market as a place for the long-term, ongoing fund raising that supports private enterprise market economies, issuing companies, for their part, have tended to use the securities market for limited funding purposes. Rather than discourage this behavior on the part of issuing companies, securities firms have adapted their own behavior to them and, in order to support the high prices they want for their issues, have even put up a front in recommending them to buyers and sellers. This kind of structural relationship between securities companies and issuing companies was one of the major factors behind the large volume of equity financing that occurred during the bubble period. Given these trends, the following measures were indicated:

1. It is necessary to put the principle of competition to work in the market by deregulating commissions, relaxing restrictions and encouraging new participants to enter the market by liberalizing it further and by improving the transparency of the market's rules.

2. It is necessary to establish conditions, such as the use of securities analysts, so that underwriting and background research are both handled objectively and to look into how investors and others think that underwriting can be improved in the future.

3. In the past, securities companies have taken a long-term perspective in looking at their various business components, thinking in terms of the overall, combined profits from these different components. In the future, it is important—in terms of price formation and insuring a fair and appropriate relationship with investors—that these different components be considered independently, as separate accounting and profit units.

4. To solve various structural problems in the relationship between the securities industry and the manufacturing industry, dialogue, aimed at burying perceptual differences and closing cognitive gaps between the two industries, is very important.

C. Problems in Relationship Between Intermediaries and Individual Investors

Securities companies are more than simply intermediaries or buying and selling agents for individual investors. Also pointed out was the importance of their role in having securities analysts provide objective analyses of available information on corporations, their role in accurately transmitting information regarding a corporations' economic, or financial, worth to investors, and their role in providing investment advice and counseling.

It is also important to guarantee the independence and neutrality of securities analysts, giving investors direct access to their services without the interposition of agents or other intermediaries, and thus eliminate possible conflicts of interest. It is also important to promote and establish the professionalism of such analysts. In this regard, two factors were noted as preventing the growth and independence of securities analysts as a profession:

1. In Japan, companies fall under two general models, either functioning as a general securities company [which handles all aspects of the securities business, including brokerage and underwriting] or as managing underwriters, so they can easily be pressured from issuing companies.

2. Where share prices are set at levels which are hard to explain by generally used investment criteria or clients

demand the best performing investments, it has been rare for analysts to come up with proper assessments of share values.

D. The Securities Business in the Future

In managing their operations, securities companies have relied mainly on their services as brokers. This emphasis came about as the result of their being a protected industry, where stock and trustee commissions were fixed by government regulations. Companies have thus sought to increase their revenue by raising the volume of stocks bought and sold through their agents. It was suggested that such companies needed an infusion of "constructive tension," otherwise they will lack vitality and strong, individual characters.

For securities companies to carry out their various functions, members of the study group identified the need to encourage competition by further deregulation of commissions and products and by liberalizing access to the market by other participants. Along with these measures, members of the group also pointed to the need to provide brokerage services and the services of other intermediaries at the lowest cost possible. These services [for example, in the case of providing information] are to be characterized by their accuracy and ability to respond in a timely manner to the diverse needs of investors. The means suggested are to encourage greater professionalism in the field and also to seek greater diversification in terms of the various functions that securities firms have, including the management of assets, through the further deregulation of the securities business.

Members of the study group also pointed to the need to look into ways to separate departments and their functions by creating a "Chinese wall" [like the Great Wall of China] between them. The idea is to prevent different departments—for example, brokers and underwriters—from mutually benefiting from information from the same source [when this may involve a conflict of interest].

Scandals continue to surround the industry. To prevent such incidents from recurring, to recover the confidence of investors, and to insure that securities companies are managed soundly, it is important to continue efforts to strengthen internal controls and quickly establish a system which effectively prevents such incidents from happening in the future. The feasibility of introducing a "compliance officer system" should also be studied.

VI. Problems in Regard to Regulatory Agencies

A. Future Course of Securities Administration

The basic aim of public administrative agencies in terms of the securities field is to contribute to the smooth operations of the national economy through the sound, healthy development of the securities market. More specifically, it is to insure that securities transactions are conducted fairly, and agencies do this by overseeing self-regulatory agencies and intermediaries and overseeing the implementation of disclosure and unfair trade and exchange regulations.

For the stock market to carry out its functions properly, it must operate a) equitably and with transparency, b) efficiently, and c) with stability and vigor. Recent measures aimed at achieving these respective ends include: a) a series of steps to strengthen the role of self-regulatory agencies and to set up a committee to watch over securities exchange; b) the relaxation of a series of regulations and the promotion of competition by implementing financial system reforms; and c) steps to revitalize the market and encourage more participation by individual investors.

In the future, it will be necessary to follow in this direction, working to create a fair market by implementing appropriate securities exchange legislation and to work further toward the shift from "trade administration," or government supervision of businesses in the securities trade, to "market administration" and the supervision of the market through market rules and regulations.

Further points that were brought up are as follows:

1. Even after the government's position on market administration is more clearly know, the desired balance between stability and efficiency in the market will still have to be considered.

2. Because of the impact that the stock market has on the economy, we must remember that an important aspect of economic policy, in the broad sense, includes securities administration.

3. As our public agencies shift from trade administration to market administration, new regulations must have a strong self-regulatory component.

4. Under trade administration, there was a concern that the narrow passageway between the banking and securities industries would prevent the flow of new products into the market.

5. The life insurance industry, the banking industry, and the securities industry are each overseen by a separate administrative offices of the government. The present organization should be studied to determine whether it needs to revised and restructured according to the different functions that are involved in these industries.

6. It is necessary to take a broad view of problems in the public administration of the securities industry. That view would include: the relationship between the stock market and corporate bond market and other financial markets; the match between monetary policies and administration; and a macro-perspective on the flow of funds.

As already mentioned, most of the problems facing the stock market are rooted in the singularly Japanese way that the market is structured and to the behavior and practices of those within that structure. We can't attempt merely to change the rules. Solutions to these problems will require broad, comprehensive debate and discussion by those in manufacturing industry, the securities industry and public administration.

B. The Market's Relationship to Other Systems

The problems of the stock market vis-a-vis public regulatory agencies are not limited the securities administration but also involve various other systems which interact with and influence the stock market. For the market to function efficiently and smoothly, change in these systems is also required.

1. Tax System

There was general agreement in the group that a desirable tax system would be one which is neutral with regard to the flow of funds (thus allowing individual investors and corporations to be able to pick the best mixture for investment purposes or when raising funds) and would be able to function well within an international setting.

The following views were expressed with regard to specific taxes:

a. Capital Gains Tax

(i) The current tax system has some deficiencies. One example, is the *minashi* profit transfer tax. We should look into our current system from the perspective of its being equitable and neutral and, in this regard, we should also consider the feasibility of introducing a taxpayer identification system.

(ii) Under the current system, the capital gains tax basically places less of a burden on taxpayers than taxes on dividends; short-term capital gains, therefore, present more of an incentive to investors than long-term dividend-yielding investments. Members of the study group pointed to the need to look into the relationship between taxes on dividends and capital gains.

b. Dividend Tax (Adjusting for Dual Taxes on Individual Income and Corporate Earnings)

(i) If we assume, for the sake of argument, that the corporate tax is shifted to the shareholder, we might want to look into the imputation method for making adjustments for dual taxes on individual and corporate earnings.

(ii) Adjustments for dual taxes has not had any effect on the development of the stock market in other countries, but the matter of adjustments and their possible impact on the stock market in Japan should be looked into.

(iii) The relationship between dividends and interest should also be studied, especially in regard to the individual who may have to weigh the differences between the two in deciding whether to invest his money in stocks or to put it into a savings account. For corporations who are interested in raising funds, the choice may be between issuing shares or taking out a loan.

c. Other Taxes

(i) The securities exchange tax should be revised. Consideration should be given to whether it is appropriate for capital gains. Consideration should also be given to securities taxes in other countries.

(ii) In order to change the speculative nature of Japan's stock market, we should study whether or not the tax system can be used as a policy tool, either to contribute to long-term investments or to discourage short-term speculation.

(iii) We should also look into the *minashi* dividend tax.

2. Commercial Law

Two problems with regard to the Commercial Law were discussed: 1) The system based on the current law is not working; and 2) Although the law is supposed to support corporate management, it is actually a hindrance to management. Specifically, the following points were made:

a. General stockholders' meetings have been stripped of any meaningful content, another indication of the tendency to ignore the rights of shareholders. Systems based on the law, like the monitoring system with regard to corporate management, are not functioning adequately.

b. Problems between the law and recent financial reforms should be looked into. For example, certain corporate bonds, when considered as commercial products, are no problem under the law; there is a problem, however, in introducing new products into the industry and, in some case, the introduction as been delayed.

c. Since the Ministry of Finance has jurisdiction over the securities market, it should speak out more aggressively with regard to problems in the Commercial Law which have a direct bearing on its expectations concerning securities administration.

3. Auditing System

An important precondition for the market to carry out its functions well is for investors to be accurately informed about factors that will influence the performance of his investment. The following problems regarding Japan's current auditing system were pointed out:

a. The current system is inadequate in terms of providing information about hidden assets and bad debts; nor does is it indicate the current status of a company's finances. Revisions to the current system should also be looked

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into with respect to its compatibility with auditing systems used in other countries.

b. Under the current system, when sales and profits are calculated, an adequate time period to make profit-loss adjustments is not provided for.

Conclusion

We had various discussions in our study group about the factors which prevent the stock market from functioning normally. After identifying problems in their respective fields, members of our group, all associated with the stock market in some capacity, came up with what they commonly felt were the necessary responses to the market's problems. Some of those measures are structural responses to problems; others depend on changing the values underlying certain behaviors. The following is a summary of the main points which were brought out:

1. The stock market is indispensable for private enterprise market economies to develop soundly; we should designate the market an important "national treasure."

2. From the second half of the 1960's, there has been a steady growth in equity financing and in funds which are raised through market value issues. With policies to deregulate capital, there has also been a steady increase in cross-shareholdings, their purpose to stabilize management rights and to strengthen business relations between corporations. But while there has been a conspicuous growth in the percentage of corporate shareholders on the market, those same numbers for individual investors—those who make net investments—has steadily shrunk over the years.

3. In the midst of this change in the stockholder structure, speculation on the market increased and the price of shares as an earning asset came to be set at levels that were hard to fathom by commonly used investment criteria. As this situation continued, it gave rise to a number of problems:

a. To the degree that investors were unable to exercise their judgement on the basis of generally known investment criteria, the process of setting share prices itself became unstable and facilitated a steep, inflationary rise in share prices.

b. For those in a position to make long-term investments, it was difficult to judge which shares would make stable investments.

c. On the other hand, those who had to raise funds on the market had a hard time getting stable equity financing.

4. To insure the stable, efficient workings of the stock market in the future, it is important that stable, reliable pricing occur under fair and transparent market conditions. Toward that end, a greater understanding of the market's problems and their solution is needed on the part of all concerned parties. Specifically, their efforts should be directed toward the following:

a. Corporations must strive to improve their earnings through greater efficiency in their management and to pay greater attention to shareholder benefits.

b. The market must be structured more toward having net investors become part of the mainstream, and the environment must be created to facilitate their participation. On the other hand, trust fund investors should be encouraged to realize their responsibilities as fiduciaries and trustees and a system should be set up in which their investment behavior and performance can be objectively evaluated.

c. Intermediaries [such as brokers and agents] must be re-awakened to their social responsibility and role as mainstays of the securities business; they must not only place importance on the benefits and profits of the issuing company but also on the benefits of the investor and conduct their businesses while taking into account the circumstances of the stock market.

d. Regulator agencies, for their part, must endeavor to establish a fair and equitable market and move forward in the shift from trade administration to market administration. At the same time, they must also look into the various systems that interact with the market, including the tax system and the auditing system, and institute comprehensive reforms where indicated.

Various points have been made in this report regarding measures which were commonly recognized as being needed. These points represent the gist of our discussions and not the consensus of the group. The report attempts to present problems and other areas that need to be critically reviewed. Beyond that, readers will find the report of varying quality—some ideas are still in their rough stages, some have been treated in more detail than others. Nor can we say that the group's views have been adequately expressed. There is one area, in particular, where research has been inadequate in terms of theory or documentation; that area concerns the process of price formation on the market. Further research is still needed. Nevertheless, as the title of our report suggests, we believe that we have taken up those problems that our economy will have to deal with; and in doing so, we have attempted to provide an analysis of our material, taking as broad a perspective on our subject as possible. We hope that the findings of our group will be of use to those engaged in activities in the market and other areas of our economy and that they will contribute to the sound development of the stock market and to solutions to its problems.

Finally, we would like to touch briefly on several problems in regard to the Securities Bureau, which is a regulatory agency. Our main focus in this report has been on the basic, structural problems surrounding the stock market and it was from there that our discussions proceeded. We did not adequately or fully discuss specific problems in the market, including questions about future steps that should be taken in regard to securities companies. Nor did we touch at all on the corporate bond market. There are various problems in regard to the latter that need to be addressed: for example, the need to encourage new participants and to stimulate greater competition by further relaxing regulations. There are also questions concerning investment trusts and trustee commissions; and about the stock exchange and other exchanges, including offshoot markets, and about changing our auditing system so that it is more in line with systems in other countries. We anticipate that the Securities Bureau will be aggressively attacking those problems as it endeavors to establish a sound, well functioning stock market. We hope our report will be of service.

Additional Notes

1. For trends in the stock market before and after the bubble period, readers are referred to the Tokyo Stock and Exchange Policy Committee Report (13 May 1993).

2. For more information regarding the factors leading to the bubble economy, the reader is referred to "Concerning the Mechanism That Triggered the Bubble Economy, Aftereffects of the Bubble Economy—Asset Price Fluctuation and Its Effects on the Economy" (Committee to Study the Mechanism of Asset Price Fluctuations and Its Effect on the Economy, Ryuichiro Tate, Chairman and Prof. Emeritus, Tokyo University, 6 April 1993).

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